SUNOCO LOGISTICS PARTNERS L.P.
Form S-4
December 20, 2016
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As filed with the Securities and Exchange Commission on December 19, 2016

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SUNOCO LOGISTICS PARTNERS L.P.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**4610**	**23-3096839**
(State or other jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

3807 West Chester Pike

Newtown Square, Pennsylvania 19073

(866) 248-4344

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Kathleen Shea-Ballay

Senior Vice President, General Counsel and Secretary

Sunoco Partners LLC

3807 West Chester Pike

Newtown Square, Pennsylvania 19073

(866) 248-4344

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael J. Swidler	**James M. Wright, Jr.**	**William N. Finnegan IV**
Lande A. Spottswood	**General Counsel**	**Ryan J. Maierson**
Mike Rosenwasser	**Energy Transfer Partners, L.L.C.**	**Debbie P. Yee**
Vinson & Elkins L.L.P.	**8111 Westchester Drive, Suite 600**	**Latham & Watkins LLP**
666 Fifth Avenue, 26th Floor	**Dallas, Texas 75225**	**811 Main Street, Suite 3700**
New York, New York 10103	**(214) 981-0700**	**Houston, Texas 77002**
(212) 237-0000		**(713) 546-5400**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the closing of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Units representing limited partner interests	826,220,616	N/A	$18,846,092,250.96	$2,184,262.09

(1) Represents the maximum number of common units representing limited partner interests in Sunoco Logistics Partners L.P. (SXL) estimated to be issuable upon the completion of the merger described herein.

(2) The proposed maximum aggregate offering price of the SXL common units was calculated based upon the market value of common units representing limited partner interests in Energy Transfer Partners, L.P. (ETP) (the securities to be cancelled in the merger) in accordance with Rules 457(c) and 457(f) under the Securities Act as follows: the product of (i) $34.22, the average of the high and low prices per ETP common unit as reported on the New York Stock Exchange on December 14, 2016 and (ii) 550,813,744, the estimated maximum number of ETP

common units that may be exchanged for the merger consideration, including ETP common units reserved for issuance (on a net exercise basis, as applicable) under outstanding ETP equity awards.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this document is not complete and may be changed. Sunoco Logistics Partners L.P. may not issue the securities described herein until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED DECEMBER 19, 2016

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

, 2017

Dear Common and Series A Unitholders:

On November 20, 2016, Sunoco Logistics Partners L.P. (SXL), Energy Transfer Partners, L.P. (ETP) and certain of their affiliates entered into a merger agreement, as amended on December 16, 2016 (as so amended and as may be further amended from time to time, the merger agreement), pursuant to which SXL Acquisition Sub LP, a wholly owned subsidiary of SXL, will merge with ETP, with ETP continuing as the surviving entity and becoming a wholly owned subsidiary of SXL (the merger). Concurrently with the merger, Sunoco Partners LLC, the general partner of SXL (SXL GP), will merge with Energy Transfer Partners GP, L.P., the general partner of ETP (ETP GP), with ETP GP continuing as the surviving entity and becoming the general partner of SXL (the GP merger and, together with the merger, the mergers).

The board of directors (the ETP Board) of Energy Transfer Partners, L.L.C., the general partner of ETP GP, approved and agreed to submit the merger to a vote of ETP unitholders following the recommendation of the conflicts committee of the ETP Board (the ETP Conflicts Committee). The ETP Board and the ETP Conflicts Committee have determined that the merger agreement and the merger are advisable, fair and reasonable to and in the best interests of ETP and its common unitholders other than Energy Transfer Equity, L.P. (ETE), SXL and their affiliates, and have approved the merger agreement and the merger.

Under the terms of the merger agreement, subject to certain adjustments, holders of common units representing limited partner interests in ETP (ETP common units or common units) will receive, for each ETP common unit held, 1.5 common units representing limited partner interests in SXL (SXL common units). Holders of ETP s Series A Cumulative Convertible Preferred Units (the Series A units) will receive an equal number of SXL preferred units, with the same rights, preferences, privileges, duties and obligations that such Series A units had immediately prior to the closing of the merger, subject to certain adjustments in accordance with the ETP partnership agreement. Additionally, the Class E units, Class G units, Class I units, Class J units and Class K units of ETP issued and outstanding immediately prior to the effective time will be cancelled and converted automatically into an equal number of newly created classes of units representing limited partner interests in SXL, with the same rights, preferences, privileges, duties and obligations as such classes of ETP units had immediately prior to the closing of the merger. Under the terms of the merger agreement, ETP s Class H units and incentive distribution rights will be cancelled for no consideration.

The merger consideration to be received by holders of ETP common units is valued at $39.29 per unit based on the closing price of SXL common units as of November 18, 2016, the last trading day before the public announcement of the merger, representing approximately a 0.2% discount to the closing price of ETP common units of $39.37 on November 18, 2016, a 5% premium to the volume-weighted average closing price of ETP common units for the five trading days ended November 18, 2016 and a 10% premium to the volume-weighted average closing price of ETP common units for the 30 trading days ended November 18, 2016. The merger consideration is valued at $ per unit based on the closing price of SXL common units as of , 2017, the most recent practicable trading day prior to the date of this proxy statement/prospectus, representing a % premium to the closing price of ETP common units of $ on , 2017, and a % premium to the volume-weighted average closing price of ETP common units for the five trading days ended , 2017.

Immediately following the completion of the merger, it is expected that ETP common unitholders will own approximately % of the outstanding SXL common units, based on the number of SXL common units outstanding, on a fully diluted basis, as of , 2017. The common units of SXL and ETP are traded on

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the New York Stock Exchange (NYSE) under the symbols SXL and ETP, respectively. Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and apply to continue the listing of its common units on the NYSE under the symbol ETP, and that ETP will change its name to Energy Transfer, LP.

ETP is holding a special meeting of its common and Series A unitholders at , on at , local time, to obtain the vote of its common and Series A unitholders to adopt the merger agreement and the transactions contemplated thereby. **Your vote is very important regardless of the number of ETP common units or Series A units you own.** The merger cannot be completed unless the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, vote for the adoption of the merger agreement and the transactions contemplated thereby at the special meeting. **The ETP Board recommends that ETP common and Series A unitholders vote FOR the adoption of the merger agreement and the transactions contemplated thereby and FOR the proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.** Pursuant to the merger agreement, ETE, which indirectly owns all of the incentive distribution rights, the general partner interest in ETP and approximately % of the ETP common units outstanding as of , 2017, has agreed to vote all of the ETP common units owned beneficially or of record by ETE or its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof. Whether or not you expect to attend the special meeting in person, we urge you to submit your proxy as promptly as possible through one of the delivery methods described in the accompanying proxy statement/prospectus.

In addition, we urge you to read carefully the accompanying proxy statement/prospectus (and the documents incorporated by reference into the accompanying proxy statement/prospectus), which includes important information about the merger agreement, the proposed mergers and the special meeting. Please pay particular attention to the section titled Risk Factors beginning on page 30 of the accompanying proxy statement/prospectus.

On behalf of the ETP Board, we thank you for your continued support.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the accompanying proxy statement/prospectus or determined that the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated , 2017 and is first being mailed to the common and Series A unitholders of ETP on or about , 2017.

Sincerely,

Kelcy L. Warren

Chief Executive Officer of Energy Transfer Partners, L.L.C., on behalf of Energy Transfer Partners, L.P.

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8111 Westchester Drive, Suite 600

Dallas, Texas 75225

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

TO BE HELD ON , 2017

To the Common and Series A Unitholders of Energy Transfer Partners, L.P.:

Notice is hereby given that a special meeting of common and Series A unitholders of Energy Transfer Partners, L.P. (ETP), will be held at , on , 2017 at , local time, solely for the following purposes:

Merger proposal: To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of November 20, 2016, as amended by Amendment No. 1 thereto (the amendment), dated as of December 16, 2016 (as so amended and as may be further amended from time to time, the merger agreement), by and among Sunoco Logistics Partners L.P. (SXL), Sunoco Partners LLC, the general partner of SXL (SXL GP), SXL Acquisition Sub LLC, a wholly owned subsidiary of SXL (SXL Merger Sub), SXL Acquisition Sub LP, a wholly owned subsidiary of SXL (SXL Merger Sub LP), ETP, Energy Transfer Partners GP, L.P., the general partner of ETP (ETP GP), and, solely for purposes of certain provisions therein, Energy Transfer Equity, L.P. (ETE), a composite copy of which, incorporating the amendment into the text of the initial agreement, is attached as Annex A to the proxy statement/prospectus accompanying this notice, and the transactions contemplated thereby, including the merger of SXL Merger Sub LP with and into ETP (the merger); and

Adjournment proposal: To consider and vote on a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and the transactions contemplated thereby at the time of the special meeting.

These items of business, including the merger agreement and the proposed merger, are described in detail in the accompanying proxy statement/prospectus. **The board of directors (the ETP Board) of Energy Transfer Partners, L.L.C., the general partner of ETP GP (ETP GP LLC), and the conflicts committee of the ETP Board (the ETP Conflicts Committee) have determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair and reasonable to and in the best interests of ETP and its common unitholders other than ETE, SXL and their affiliates and the ETP Board recommends that ETP common and Series A unitholders vote FOR the adoption of the merger agreement and the transactions contemplated thereby and FOR the proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of such adoption**.

Only common and Series A unitholders of record as of the close of business on , 2017 are entitled to notice of the special meeting and to vote at the special meeting or at any adjournment or postponement thereof. A list of common and Series A unitholders entitled to vote at the special meeting will be available in our offices located at 8111 Westchester Drive, Suite 600, Dallas, Texas 75225 during regular business hours for a period of 10 days before the special meeting, and at the place of the special meeting during the special meeting. Pursuant to the merger agreement, ETE has agreed to vote all of the Series A units representing limited partner interests and all of the

common units representing limited partner interests in ETP (ETP common units or common units) owned beneficially or of record by ETE or its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof, which includes the merger proposal and, if necessary, the adjournment proposal. As of , 2017, ETE and its subsidiaries collectively held ETP common units, representing approximately % of the ETP units entitled to vote at the special meeting.

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Adoption of the merger agreement and the transactions contemplated thereby by the ETP unitholders is a condition to the consummation of the merger and requires the affirmative vote of holders of at least a majority of the outstanding ETP common units and ETP Series A Cumulative Convertible Preferred Units (Series A units), voting together as a single class. Therefore, your vote is very important. **Your failure to vote your units will have the same effect as a vote AGAINST the adoption of the merger agreement and the transactions contemplated thereby**.

By order of the board of directors,

James M. Wright, Jr.

General Counsel

Dallas, Texas

, 2017

YOUR VOTE IS IMPORTANT!

WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING IN PERSON, WE URGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE (1) BY TELEPHONE, (2) VIA THE INTERNET OR (3) BY MARKING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE PREPAID ENVELOPE PROVIDED. You may revoke your proxy or change your vote at any time before the special meeting. If your ETP common units are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished to you by such record holder.

We urge you to read the accompanying proxy statement/prospectus, including all documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the adjournment vote, the special meeting or the accompanying proxy statement/prospectus or would like additional copies of the accompanying proxy statement/prospectus or need help voting your ETP common units or Series A units, please contact ETP s proxy solicitor:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Toll free: (800) 322-2855

Collect: (212) 929-5500

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about SXL and ETP from other documents filed with the Securities and Exchange Commission (the SEC), that are not included in or delivered with this proxy statement/prospectus.

Documents incorporated by reference are available to you without charge upon written or oral request. You can obtain any of these documents by requesting them in writing or by telephone from the appropriate party at the following addresses and telephone numbers.

Sunoco Logistics Partners L.P.	Energy Transfer Partners, L.P.
Investor Relations	Investor Relations
3807 West Chester Pike	8111 Westchester Drive, Suite 600
Newtown Square, Pennsylvania 19073	Dallas, Texas 75225
(866) 248-4344	(214) 981-0795

To receive timely delivery of the requested documents in advance of the special meeting, you should make your request no later than , 2017.

For a more detailed description of the information incorporated by reference in this proxy statement/prospectus and how you may obtain it, see Where You Can Find More Information.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the SEC by SXL (File No. 333-), constitutes a prospectus of SXL under Section 5 of the Securities Act of 1933, as amended (the Securities Act), with respect to the common units representing limited partner interests in SXL (SXL common units) to be issued pursuant to the merger agreement. This document also constitutes a notice of meeting and a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), with respect to the special meeting of ETP common and Series A unitholders, at which ETP common and Series A unitholders will be asked to consider and vote on, among other matters, a proposal to adopt the merger agreement and the transactions contemplated thereby.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated , 2017. The information contained in this proxy statement/prospectus is accurate only as of that date or, in the case of information in a document incorporated by reference, as of the date of such document, unless the information specifically indicates that another date applies. Neither the mailing of this proxy statement/prospectus to ETP common and Series A unitholders nor the issuance by SXL of its common units pursuant to the merger agreement will create any implication to the contrary.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

The information concerning SXL contained in this proxy statement/prospectus or incorporated by reference has been provided by SXL, and the information concerning ETP contained in this proxy statement/prospectus or incorporated by reference has been provided by ETP.

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QUESTIONS AND ANSWERS

Set forth below are questions that you, as a common or Series A unitholder of ETP, may have regarding the merger, the adjournment proposal and the special meeting, and brief answers to those questions. You are urged to read carefully this proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus in their entirety, including the composite merger agreement, which incorporates the text of the amendment into the text of the initial agreement and is attached as Annex A to this proxy statement/prospectus, and the documents incorporated by reference into this proxy statement/prospectus, because this section may not provide all of the information that is important to you with respect to the merger and the special meeting. You may obtain a list of the documents incorporated by reference into this proxy statement/prospectus in the section titled Where You Can Find More Information.

Q: Why am I receiving this proxy statement/prospectus?

A: SXL and ETP have agreed to a merger, pursuant to which SXL Merger Sub LP, a wholly owned subsidiary of SXL, will merge with ETP. ETP will continue its existence as the surviving entity and become a wholly owned subsidiary of SXL, but will cease to be a publicly traded limited partnership. In order to complete the merger, ETP common and Series A unitholders must vote to adopt the merger agreement and the transactions contemplated thereby. ETP is holding a special meeting of its common and Series A unitholders to obtain such unitholder approval.

In the merger, SXL will issue SXL common units as the consideration to be paid to holders of ETP common units. This document is being delivered to you as both a proxy statement of ETP and a prospectus of SXL in connection with the merger. It is the proxy statement by which the ETP Board is soliciting proxies from you to vote on the adoption of the merger agreement and the transactions contemplated thereby at the special meeting or at any adjournment or postponement of the special meeting. It is also the prospectus by which SXL will issue SXL common units to you in the merger.

Q: What will happen in the merger?

A: In the merger, SXL Merger Sub LP will merge with ETP. ETP will be the surviving limited partnership in the merger and will become a wholly owned subsidiary of SXL, but ETP will cease to be a publicly traded limited partnership. Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and ETP will change its name to Energy Transfer, LP.

Q: What will I receive in the merger?

A: If the merger is completed, each of your ETP common units will be cancelled and converted automatically into the right to receive 1.5 (the exchange ratio) SXL common units (the merger consideration). ETP common unitholders will not receive any fractional SXL common units in the merger. Instead, each holder of ETP common units that are converted pursuant to the merger agreement who otherwise would have received a fraction of an SXL common unit will instead be entitled to receive a whole SXL common unit. Based on the closing price of SXL common units on the New York Stock Exchange (the NYSE) on November 18, 2016, the last trading day prior to the public announcement of the merger, the merger consideration represented approximately $39.29 in value for each ETP common unit. Based on the closing price of $ for SXL common units on the NYSE on , 2017, the most recent practicable trading day prior to the date of this proxy statement/prospectus, the merger consideration represented approximately $ in value for each ETP common unit. The market price of SXL common units will fluctuate prior to the merger, and the market price of SXL common units when received by ETP common unitholders after the merger is completed could be greater or less than the current market price of SXL common units. See Risk Factors.

Q: What will happen to my ETP restricted units and cash units in the merger?

A: If the merger is completed, each outstanding restricted unit of ETP (an ETP restricted unit) will be converted into the right to receive an award of restricted units relating to SXL common units on the same terms

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and conditions as were applicable to the corresponding award of ETP restricted units (including the right to receive distribution equivalents with respect to such award), except that the number of SXL common units covered by the award will be equal to the number of ETP common units covered by the corresponding award of ETP restricted units multiplied by the exchange ratio, rounded up to the nearest whole unit. In addition, each outstanding award of cash units issued under the Energy Transfer Partners, L.P. Long-Term Incentive Cash Restricted Unit Plan (the ETP cash unit plan) representing the right to a cash payment based on the value of ETP common units (ETP cash units) will be converted into the right to receive an award of restricted cash units relating to SXL common units on the same terms and conditions as were applicable to the award of ETP cash units, except that the number of notional SXL common units relating to the award will be equal to the number of notional ETP common units relating to the corresponding award of ETP cash units multiplied by the exchange ratio, rounded up to the nearest whole unit.

Q: What will happen to the other series and classes of ETP units in the merger?

A: If the merger is completed, each outstanding Series A unit will be cancelled and converted automatically into the right to receive a new preferred unit of SXL (an SXL preferred unit), with the same rights, preferences, privileges, duties and obligations that the Series A units had immediately prior to the closing of the merger, subject to certain adjustments in accordance with the Second Amended and Restated Agreement of Limited Partnership of Energy Transfer Partners, L.P., as amended (the ETP partnership agreement). Additionally, the outstanding Class E units representing limited partner interests in ETP (the Class E units), Class G units representing limited partner interests in ETP (the Class G units), Class I units representing limited partner interests in ETP (the Class I units), Class J units representing limited partner interests in ETP (the Class J units) and Class K units representing limited partner interests in ETP (the Class K units) will be cancelled and converted automatically into an equal number of newly created classes of units representing limited partner interests in SXL, with the same rights, preferences, privileges, duties and obligations as such classes of ETP units had immediately prior to the closing of the merger.

If the merger is completed, each outstanding Class H unit representing a limited partner interest in ETP (a Class H unit) and the incentive distribution rights in ETP will be cancelled for no consideration.

Q: What happens if the merger is not completed?

A: If the merger agreement and the transactions contemplated thereby are not adopted by ETP common and Series A unitholders holding at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, or if the merger is not completed for any other reason, you will not receive any form of consideration for your ETP units in connection with the merger. Instead, ETP will remain an independent publicly traded limited partnership and its common units will continue to be listed and traded on the NYSE. If the merger agreement is terminated under specified circumstances, including if ETP unitholder approval is not obtained, ETP will be required to pay all of the reasonably documented out-of-pocket expenses incurred by SXL and its affiliates in connection with the merger agreement and the transactions contemplated thereby, up to a maximum amount of $30.0 million. In addition, if the merger agreement is terminated under specified circumstances, including due to an adverse recommendation change having occurred, ETP may be required to pay SXL a termination fee of $630.0 million, less any expenses previously paid by ETP to SXL. Following payment of the termination fee, ETP will not be obligated to pay any additional expenses incurred by SXL or its affiliates. Please read Proposal 1: The Merger Agreement Expenses and Termination Fee beginning on page 100 of this proxy statement/prospectus.

Q: Will I continue to receive future distributions on my ETP common units and Series A units?

A: Before completion of the merger, ETP expects to continue to pay its regular quarterly cash distribution on its common units, which was $1.0550 per ETP common unit for the quarter ended September 30, 2016, and the required

cash distribution on its Series A units, which currently is $0.445 per Series A unit. However, SXL

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and ETP will coordinate the timing of distribution declarations leading up to the merger so that, in any quarter, a holder of ETP common units or Series A units will either receive distributions in respect of its ETP common units or Series A units or distributions in respect of the SXL common units or SXL preferred units, as applicable, that such holder will receive in the merger (but will not receive distributions in respect of both in any quarter). Receipt of the regular quarterly distribution will not reduce the merger consideration you receive. After completion of the merger, you will be entitled only to distributions on any SXL common units or SXL preferred units you receive in the merger and hold through the applicable distribution record date. While SXL provides no assurances as to the level or payment of any future distributions on its common units, and SXL determines the amount of its distributions each quarter, for the quarter ended September 30, 2016, SXL paid a cash distribution of $0.51 per SXL common unit on November 14, 2016 to holders of record as of the close of business on November 9, 2016.

Q: What am I being asked to vote on?

A: ETP s common and Series A unitholders are being asked to vote on the following proposals:

Merger proposal: To adopt the merger agreement, a composite copy of which, incorporating the amendment into the text of the initial agreement, is attached as Annex A to this proxy statement/prospectus, and the transactions contemplated thereby, including the merger; and

Adjournment proposal: To approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

The approval of the merger proposal by ETP common and Series A unitholders holding at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, is a condition to the obligations of SXL and ETP to complete the merger. The adjournment proposal is not a condition to the obligations of SXL or ETP to complete the merger.

Q: Does the ETP Board recommend that ETP common and Series A unitholders adopt the merger agreement and the transactions contemplated thereby?

A: Yes. The ETP Board and the ETP Conflicts Committee have approved the merger agreement and the transactions contemplated thereby, including the merger, and determined that these transactions are advisable and fair and reasonable to, and in the best interests of, ETP and the unaffiliated ETP unitholders. Therefore, the ETP Board recommends that you vote FOR the adoption of the merger agreement and the transactions contemplated thereby at the special meeting. See The Merger Recommendation of the ETP Board; Reasons for the Merger beginning on page 58 of this proxy statement/prospectus. In considering the recommendation of the ETP Board with respect to the merger agreement and the transactions contemplated thereby, including the merger, you should be aware that directors and executive officers of ETP are parties to agreements or participants in other arrangements that give them interests in the merger that may be different from, or in addition to, your interests as a unitholder of ETP. You should consider these interests in voting on the merger proposal. These different interests are described under The Merger Interests of Directors and Executive Officers of ETP in the Merger beginning on page 83 of this proxy statement/prospectus.

Q: What unitholder vote is required for the approval of each proposal?

A: The following are the vote requirements for the ETP proposals:

Merger proposal. The affirmative vote of the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class. Accordingly, abstentions, broker non-votes and an ETP common or Series A unitholder s failure to vote will have the same effect as votes AGAINST the proposal.

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Adjournment proposal. If a quorum is present at the special meeting, the affirmative vote of the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class. If a quorum is not present at the meeting, the affirmative vote of holders of a majority of the outstanding ETP common units and Series A units, voting together as a single class, represented thereat either in person or by proxy, will be required to approve the proposal. Accordingly, if a quorum is present, abstentions, broker non-votes and an ETP common or Series A unitholder s failure to vote will have the same effect as votes AGAINST the proposal. If a quorum is not present, abstentions and broker non-votes will have the same effect as votes AGAINST the proposal, but an ETP common or Series A unitholder s failure to vote will have no effect on the adoption of the proposal.

Pursuant to the merger agreement, ETE, which directly and indirectly owns all of the incentive distribution rights and the general partner interest in ETP, has agreed to vote all of the ETP common units and Series A units owned beneficially or of record by ETE or its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof, which includes the merger proposal and, if necessary, the adjournment proposal. As of , 2017, ETE and its subsidiaries collectively held ETP common units, representing approximately % of the ETP units entitled to vote at the special meeting.

Q: What constitutes a quorum for the special meeting?

A: The holders of at least a majority of the outstanding ETP common units and Series A units, considered together as a single class, must be represented in person or by proxy at the special meeting in order to constitute a quorum.

Q: When is this proxy statement/prospectus being mailed?

A: This proxy statement/prospectus and the proxy card are first being sent to ETP common and Series A unitholders on or about , 2017.

Q: Who is entitled to vote at the special meeting?

A: Holders of outstanding ETP common units and Series A units outstanding as of the close of business on , 2017, the record date, are entitled to one vote per unit at the special meeting.

As of the record date, there were approximately ETP common units outstanding and 1,912,569 Series A units outstanding, all of which are entitled to vote at the special meeting.

Q: When and where is the special meeting?

A: The special meeting will be held at , on , 2017, at , local time.

Q: How do I vote my common units or Series A units at the special meeting?

A: There are four ways you may cast your vote. You may vote:

In Person. If you are a common or Series A unitholder of record, you may vote in person at the special meeting. Common units or Series A units held by a bank, broker or other nominee may be voted in person by you only if you obtain a legal proxy from the record holder (which is your bank, broker or other nominee) giving you the right to vote the units;

Via the Internet. You may cause your common units or Series A units to be voted at the special meeting by submitting your proxy electronically via the Internet by accessing the Internet address provided on each proxy card (if you are a common or Series A unitholder of record) or vote instruction card (if your common units or Series A units are held by a bank, broker or other nominee);

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By Telephone. You may cause your common units or Series A units to be voted at the special meeting by submitting your proxy by using the toll-free telephone number listed on the enclosed proxy card (if you are a common or Series A unitholder of record) or vote instruction card (if your common units or Series A units are held by a bank, broker or other nominee); or

By Mail. You may cause your common or Series A units to be voted at the special meeting by submitting your proxy by filling out, signing and dating the enclosed proxy card (if you are a common or Series A unitholder of record) or vote instruction card (if your common units or Series A units are held by a bank, broker or other nominee) and returning it by mail in the prepaid envelope provided.

Even if you plan to attend the special meeting in person, you are encouraged to submit your proxy as described above so that your vote will be counted if you later decide not to attend the special meeting.

If your common units or Series A units are held by a bank, broker or other nominee, also known as holding units in street name, you should receive instructions from the bank, broker or other nominee that you must follow in order to have your common units or Series A units voted. Please review such instructions to determine whether you will be able to submit your proxy via Internet or by telephone. The deadline for submitting your proxy by telephone or electronically through the Internet is 11:59 p.m., Eastern Time, on , 2017 (the telephone/internet deadline).

Q: If my common units or Series A units are held in street name by my broker, will my broker automatically vote my common units or Series A units for me?

A: No. If your common units or Series A units are held in an account at a broker or through another nominee, you must instruct the broker or other nominee on how to vote your common units or Series A units by following the instructions that the broker or other nominee provides to you with these materials. Most brokers offer the ability for unitholders to submit voting instructions by mail by completing a voting instruction card, by telephone and via the Internet.

If you do not provide voting instructions to your broker, your common units or Series A units will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is referred to in this proxy statement/prospectus and in general as a broker non-vote. In these cases, the broker can register your common units or Series A units as being present at the special meeting for purposes of determining a quorum, but will not be able to vote on those matters for which specific authorization is required. Under the current rules of the NYSE, brokers do not have discretionary authority to vote on any of the proposals, at the special meeting, including the merger proposal. A broker non-vote will have the same effect as a vote AGAINST the merger proposal and the adjournment proposal.

Q: How will my ETP common units or Series A units be represented at the special meeting?

A: If you submit your proxy by telephone, the Internet website or by signing and returning your proxy card, the officers named in your proxy card will vote your common units or Series A units in the manner you requested if you correctly submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your common units or Series A units, your proxy will be voted as the ETP Board recommends, which is:

Merger proposal: FOR the adoption of the merger agreement and the transactions contemplated thereby; and

Adjournment proposal: FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

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Q: Who may attend the special meeting?

A: ETP common or Series A unitholders (or their authorized representatives) and ETP s invited guests may attend the special meeting. All attendees at the special meeting should be prepared to present government-issued photo identification (such as a driver s license or passport) for admittance.

Q: Is my vote important?

A: Yes, your vote is very important. If you do not submit a proxy or vote in person at the special meeting, it will be more difficult for ETP to obtain the necessary quorum to hold the special meeting. In addition, an abstention or your failure to submit a proxy or to vote in person will have the same effect as a vote AGAINST the adoption of the merger agreement and the transactions contemplated thereby. If you hold your common units or Series A units through a bank, broker or other nominee, your bank, broker or other nominee will not be able to cast a vote on such adoption without instructions from you. The ETP Board recommends that ETP common and Series A unitholders vote FOR the ETP merger proposal.

Q: Can I revoke my proxy or change my voting instructions?

A: Yes. If you are a common or Series A unitholder of record, you may revoke or change your vote at any time before the telephone/internet deadline or before the polls close at the special meeting by:

- sending a signed, written notice to Energy Transfer Partners, L.P. at 8111 Westchester Drive, Suite 600, Dallas, Texas 75225, Attention: Corporate Secretary, that bears a date later than the date of the proxy and is received prior to the special meeting and states that you revoke your proxy;
- submitting a valid proxy by telephone or internet that bears a date later than the date of the proxy, but no later than the telephone/internet deadline and is received prior to the special meeting; or
- attending the special meeting and voting by ballot in person (your attendance at the special meeting will not, by itself, revoke any proxy that you have previously given).

If you hold your ETP common units or Series A units through a bank, broker or other nominee, you must follow the directions you receive from your bank, broker or other nominee in order to revoke your proxy or change your voting instructions.

Q: What happens if I sell my common units or Series A units after the record date but before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and earlier than the date that the merger is expected to be completed. If you sell or otherwise transfer your ETP common units or Series A units after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting. However, you will not have the right to receive the merger consideration to be received by ETP s unitholders in the merger. In order to receive the merger consideration, you must hold your ETP units through completion of the merger.

Q: What does it mean if I receive more than one proxy card or vote instruction card?

A: Your receipt of more than one proxy card or vote instruction card may mean that you have multiple accounts with ETP s transfer agent or with a bank, brokerage firm or other nominee. If voting by mail, please sign and return all proxy cards or vote instruction cards to ensure that all of your common units or Series A units are voted. Each proxy card or vote instruction card represents a distinct number of units and it is the only means by which those particular units may be voted by proxy.

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Q: Is completion of the merger subject to any conditions?

A: Yes. In addition to the adoption of the merger agreement by the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, completion of the merger requires the receipt of the necessary governmental clearances and the satisfaction or, to the extent permitted by applicable law, waiver of the other conditions specified in the merger agreement.

Q: When do you expect to complete the merger?

A: SXL and ETP are working towards completing the merger promptly. SXL and ETP currently expect to complete the merger shortly following the conclusion of the meeting, subject to receipt of ETP unitholder approval, regulatory approvals and clearances and other usual and customary closing conditions. However, no assurance can be given as to when, or if, the merger will occur.

Q: What are the expected U.S. federal income tax consequences to an ETP unitholder as a result of the transactions contemplated by the merger agreement?

A: Although for state law purposes ETP will become a wholly owned subsidiary of SXL in the merger, for U.S. federal income tax purposes, ETP (rather than SXL) will be treated as the continuing partnership following the merger. As a result, for U.S. federal income tax purposes, SXL will be deemed to contribute all of its assets to ETP in exchange for ETP units and the assumption of SXL s liabilities, followed by a liquidation of SXL in which ETP units are distributed to SXL unitholders. In addition, as a result of the merger, SXL unitholders immediately prior to the merger, who will be deemed to have received ETP units in the merger, will be deemed to become limited partners of ETP for U.S. federal income tax purposes and will be allocated a share of ETP s nonrecourse liabilities.

It is anticipated that no gain or loss should be recognized by an ETP unitholder solely as a result of the merger, except to the extent any net decrease in such unitholder s share of partnership liabilities pursuant to Section 752 of the Internal Revenue Code of 1986, as amended (the Code), exceeds such unitholder s adjusted tax basis in its ETP units at the closing of the merger. Each ETP common unitholder s share of ETP s nonrecourse liabilities will be recalculated following the merger. Any resulting increase or decrease in an ETP common unitholder s nonrecourse liabilities will result in a corresponding increase or decrease in such unitholder s adjusted tax basis in its ETP common units. A reduction in a common unitholder s share of nonrecourse liabilities would, if such reduction exceeds the unitholder s tax basis in his or her ETP common units, under certain circumstances, result in the recognition of taxable gain by an ETP common unitholder. In addition, an ETP unitholder would recognize such unitholder s distributive share of any gain recognized by ETP as a result of the merger. However, it is not anticipated that gain or loss should be recognized by ETP solely as a result of the merger. For additional information, please read Material U.S. Federal Income Tax Consequences of the Merger Tax Consequences of the Merger to ETP and ETP Common Unitholders and Risk Factors Risk Factors Relating to the Merger.

Q: What are the expected U.S. federal income tax consequences for an ETP common unitholder of the ownership of SXL common units after the merger is completed?

A: Each ETP common unitholder who becomes a holder of SXL common units as a result of the merger will, as is the case for existing SXL common unitholders, be allocated such unitholder s distributive share of SXL s income, gains, losses, deductions and credits. In addition to U.S. federal income taxes, such a holder will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which SXL conducts business or owns property following the merger, or in which the unitholder is a resident. Please read Material U.S. Federal Income Tax Consequences of SXL Common Unit Ownership.

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Q: What do I need to do now?

A: Carefully read and consider the information contained in and incorporated by reference into this proxy statement/prospectus, including its annexes. Then, please vote your ETP common units or Series A units in accordance with the instructions described above.

If you hold ETP common units or Series A units through a bank, broker or other nominee, please instruct your bank, broker or nominee to vote your common units or Series A units by following the instructions that the bank, broker or nominee provides to you with these materials.

Q: Should I send in my unit certificates now?

A: No. ETP unitholders should not send in their unit certificates at this time. After completion of the merger, SXL s exchange agent will send you a letter of transmittal and instructions for exchanging your ETP common units for the merger consideration and your Series A units for SXL preferred units.

Q: Are holders of ETP units entitled to dissenters rights or appraisal rights?

A: No. Neither dissenters rights nor appraisal rights are available in connection with the merger under the Delaware Revised Uniform Limited Partnership Act (the Delaware LP Act), the merger agreement or the ETP partnership agreement.

Q: Whom should I call with questions?

A: ETP unitholders who have questions about the merger or the special meeting, or desire additional copies of this proxy statement/prospectus or additional proxy cards or voting instruction forms should contact MacKenzie Partners, Inc., ETP s proxy solicitor, at:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Toll free: (800) 322-2855

Collect: (212) 929-5500

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. You are urged to read carefully the entire proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger agreement, the merger and the other matters being considered at the special meeting. See Where You Can Find More Information. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.

The Parties (See page 40)

Sunoco Logistics Partners L.P. is a Delaware limited partnership with common units traded on the NYSE under the symbol SXL. SXL owns and operates a logistics business consisting of a geographically diverse portfolio of complementary pipeline, terminalling, and acquisition and marketing assets which are used to facilitate the purchase and sale of crude oil, natural gas liquids (NGLs) and refined products. Sunoco Partners LLC, a Pennsylvania limited liability company, is SXL s general partner, and SXL Acquisition Sub LLC, a Delaware limited liability company, and SXL Acquisition Sub LP, a Delaware limited partnership, are each a wholly owned subsidiary of SXL.

Energy Transfer Partners, L.P., is a Delaware limited partnership with common units traded on the NYSE under the symbol ETP. ETP is engaged in the transportation and storage of natural gas, NGLs and crude oil, and terminalling services and acquisition and marketing activities through SXL. ETP holds a controlling ownership interest in SXL through its ownership of a 99.9% membership interest in SXL GP, which owns 100% of the general partner interest and incentive distribution rights in SXL. Energy Transfer Partners GP, L.P., a Delaware limited partnership, is ETP s general partner.

Energy Transfer Equity, L.P. is a Delaware limited partnership with common units traded on the NYSE under the symbol ETE. ETE indirectly owns all of the incentive distribution rights and general partner interest in ETP. Additionally, ETE indirectly owns a 0.1% membership interest in SXL GP, which owns 100% of the general partner interest and incentive distribution rights in SXL, as well as all of the ETP Class H units, which entitle ETE to receive 90.05% of the distributions paid to ETP with respect to SXL s incentive distribution rights and general partner interest. ETE is a party to the merger agreement solely for purposes of certain provisions therein.

The Merger (See page 47)

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, the merger agreement provides for the merger of SXL Merger Sub LP with ETP (the merger). ETP will survive the merger and become a wholly owned subsidiary of SXL, but ETP will cease to be a publicly traded limited partnership. Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and ETP will change its name to Energy Transfer, LP.

The GP Merger (See page 47)

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law and Pennsylvania law, and concurrently with the merger, SXL GP will merge with ETP GP (the GP merger and, together with the merger, the mergers). ETP GP will survive the GP merger and become the general partner of SXL, owning the general partner interest and incentive distribution rights in SXL, which will remain unchanged following the mergers.

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Merger Consideration (See page 97)

Common Units. The merger agreement provides that, at the effective time, each ETP common unit issued and outstanding or deemed issued and outstanding as of immediately prior to the effective time will be converted into the right to receive 1.5 SXL common units.

Series A Units. The merger agreement provides that, at the effective time, each Series A unit issued and outstanding as of immediately prior to the effective time will be converted into the right to receive an SXL preferred unit, with the same rights, preferences, privileges, duties and obligations that the ETP Series A units had immediately prior to the closing of the merger, subject to adjustment in accordance with the ETP partnership agreement.

Other Classes of ETP Units. The merger agreement provides that, at the effective time, each Class E unit, Class G unit, Class I unit, Class J unit and Class K unit of ETP issued and outstanding immediately prior to the effective time will be converted into an equal number of newly created classes of SXL units, with the same rights, preferences, privileges, duties and obligations as such classes of ETP units had immediately prior to the closing of the merger.

Treatment of General Partner Interest; Incentive Distribution Rights and Class H Units (See page 98)

In connection with the mergers, ETP GP will transfer the 0.7% general partner interest in ETP to SXL Merger Sub and SXL Merger Sub will assume the rights and duties of the general partner of ETP. As a result of the merger and the related transactions, the 100% limited partner interest in SXL Merger Sub LP will convert into a 99.3% limited partner interest in ETP, the non-economic general partner interest in SXL Merger Sub LP will be cancelled and SXL Merger Sub will become the general partner of ETP, holding a 0.7% general partner interest. In addition, the incentive distribution rights in ETP and the Class H units outstanding immediately prior to the effective time will be cancelled.

Treatment of Restricted Units and Cash Units (See page 98)

Restricted Units. At the effective time, each outstanding award of ETP restricted units will, by virtue of the merger and without any action on the part of the holder of any such ETP restricted units, cease to relate to or represent a right to receive ETP common units and will be converted into the right to receive an award of SXL restricted units, on the same terms and conditions as were applicable to the corresponding award of ETP restricted units (including the right to receive distribution equivalents with respect to such award), except that the number of SXL common units covered by each such award will be equal to the number of ETP common units subject to the corresponding award of ETP restricted units multiplied by the exchange ratio, rounded up to the nearest whole unit.

Cash Units. At the effective time, each outstanding award of ETP cash units will, automatically and without any action on the part of the holder of such ETP cash units, be converted into the right to receive an award of restricted cash units relating to SXL common units on the same terms and conditions as were applicable to the award of ETP cash units, except that the number of notional SXL common units related to the award will be equal to the number of notional ETP common units relating to the corresponding award of ETP cash units multiplied by the exchange ratio, rounded up to the nearest whole unit.

The Special Meeting; Units Entitled to Vote; Required Vote (See page 42)

Meeting. The special meeting will be held at , on , 2017, at , local time. At the special meeting, ETP common and Series A unitholders will be asked to vote on the following proposals:

Merger proposal: To adopt the merger agreement, a composite copy of which, incorporating the amendment into the text of the initial agreement, is attached as Annex A to this proxy statement/prospectus, and the transactions contemplated thereby, including the merger; and

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Adjournment proposal: To approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

Record Date. Only ETP common and Series A unitholders of record at the close of business on , 2017 will be entitled to receive notice of and to vote at the special meeting. As of the close of business on the record date of , 2017, there were approximately ETP common units and 1,912,596 Series A units outstanding and entitled to vote at the meeting. Each holder of ETP common units and Series A units is entitled to one vote for each common unit or Series A unit owned as of the record date.

Required Vote. To adopt the merger agreement and the transactions contemplated thereby, holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, must vote in favor of such adoption. **ETP cannot complete the merger unless its common and Series A unitholders, voting together as a single class, adopt the merger agreement and the transactions contemplated thereby**. Because approval is based on the affirmative vote of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, **an ETP common or Series A unitholder s failure to vote, an abstention from voting or the failure of an ETP common or Series A unitholder who holds his or her units in street name through a broker or other nominee to give voting instructions to such broker or other nominee, which we refer to as a broker non-vote, will have the same effect as a vote AGAINST adoption of the merger agreement**.

If a quorum is present at the special meeting, to approve the adjournment of the meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting, holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, must vote in favor of the proposal. Therefore, if a quorum is present at the meeting, abstentions, broker non-votes and an ETP common or Series A unitholder s failure to vote will have the same effect as a vote AGAINST approval of this proposal. If a quorum is not present at the special meeting, to approve the adjournment of the meeting, holders of at least a majority of the outstanding ETP common units and Series A units, together as a single class, represented thereat either in person or by proxy must vote in favor of the proposal. Therefore, if a quorum is not present, abstentions and broker non-votes will have the same effect as a vote AGAINST approval of the adjournment proposal, but an ETP common or Series A unitholder s failure to vote will have no effect on the outcome of the proposal.

Unit Ownership of and Voting by ETP s Directors, Executive Officers and Affiliates. As of , 2017, ETP s directors and executive officers and their affiliates (including ETE and its subsidiaries) beneficially owned and had the right to vote ETP common units at the special meeting, which represent % of the ETP common units and Series A units entitled to vote at the special meeting. It is expected that ETP s directors and executive officers will vote their units FOR the adoption of the merger agreement and the transactions contemplated thereby, although none of them has entered into any agreement requiring them to do so. Additionally, under the terms of the merger agreement, ETE has agreed to vote all of the ETP common units owned beneficially or of record by ETE or its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof.

Recommendation of the ETP Board; Reasons for the Merger (See page 58)

The ETP Board recommends that ETP common and Series A unitholders vote FOR the adoption of the merger agreement and the transactions contemplated thereby.

In the course of reaching their decisions to approve the merger agreement and the transactions contemplated by the merger agreement, the ETP Conflicts Committee and the ETP Board considered a number of factors in its deliberations. For a more complete discussion of these factors, see The Merger Recommendation of the ETP Board;

Reasons for the Merger.

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Opinion of the Financial Advisor to the ETP Conflicts Committee (See page 64)

In connection with the proposed transaction, the ETP Conflicts Committee received, on November 20, 2016, an oral opinion from Barclays Capital Inc. (Barclays), which was subsequently confirmed in a written opinion, dated November 20, 2016, from Barclays, as to the fairness, as of the date of the opinion and based upon and subject to the qualifications, limitations and assumptions stated therein, from a financial point of view, to the holders of the ETP common units, other than ETE, SXL and their Affiliates (as defined in the merger agreement) (the unaffiliated ETP unitholders), of the exchange ratio to be offered to such unaffiliated ETP unitholders in the proposed transaction.

The full text of Barclays written opinion, which is attached to this proxy statement/prospectus as Annex B, sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully and in its entirety. Barclays opinion was provided for the information of the ETP Conflicts Committee in connection with its evaluation of the exchange ratio to be offered to unaffiliated ETP unitholders from a financial point of view and did not address any other aspects or implications of the proposed transaction. Barclays expressed no view as to, and its opinion does not in any manner address, the underlying business decision to proceed with or effect the proposed transaction, the likelihood of consummation of the proposed transaction or the relative merits of the proposed transaction as compared to any other transaction or business strategy in which ETP might engage. In addition, Barclays expressed no view as to, and its opinion does not in any manner address, the fairness of the amount or the nature of (i) any compensation to any officers, directors or employees of any parties to the proposed transaction, or any class of such persons, relative to the exchange ratio in the proposed transaction or otherwise; (ii) the fairness of any portion or aspect of the proposed transaction to the holders of any class of securities, creditors or other constituencies of ETP or any other person, or to any other person, other than the fairness, from a financial point of view, of the exchange ratio to be offered to the unaffiliated ETP unitholders; or (iii) any portion or aspect of the proposed transaction to any one class or group of ETP s or any other person s equity security holders vis a vis any other class or group of ETP s security holders or any other person s security holders (including, without limitation, the allocation of any consideration amongst or within such classes or groups of security holders). The summary of Barclays opinion provided in this proxy statement/prospectus is qualified in its entirety by reference to the full opinion. Barclays opinion is not intended to be and does not constitute a recommendation to any unaffiliated ETP unitholder as to how such unaffiliated ETP unitholder should vote or act with respect to the proposed transaction or any other matter.

No SXL Unitholder Approval Required (See page 87)

SXL unitholders are not required to adopt the merger agreement or approve the merger or the issuance of SXL common units in connection with the merger.

Directors and Executive Officers of SXL After the Merger (See page 88)

Following the consummation of the GP merger, ETP GP, as the general partner of SXL, will have direct responsibility for conducting SXL s business and for managing its operations. Therefore, after the closing of the mergers, the board of directors and officers of ETP GP will make decisions on SXL s behalf. SXL expects that the directors and executive officers of SXL GP immediately prior to the merger will continue in leading management roles of ETP GP after the merger, except that (i) Kelcy L. Warren, Chief Executive Officer of ETP, is expected to become the Chief Executive Officer of SXL, (ii) Marshall S. (Mackie) McCrea, III, Group Chief Operating Officer and Chief Commercial Officer of ETE, is expected to become the Chief Commercial Officer of SXL, (iii) Matthew S. Ramsey, President and Chief Operating Officer of ETP, is expected to become the

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President of SXL, and (iv) Thomas E. Long, Chief Financial Officer of ETP, is expected to become the Chief Financial Officer of SXL. SXL also expects that Michael J. Hennigan, the current President and Chief Executive Officer of SXL, and other members of the SXL management team will continue in leading management roles of the combined company with the current SXL business operations continuing to be headquartered in Philadelphia.

Ownership of SXL After the Merger (See page 88)

SXL will issue approximately million SXL common units to former ETP common unitholders pursuant to the merger agreement. Based on the number of SXL common units outstanding as of the date of this proxy statement/prospectus, immediately following the completion of the merger, SXL expects to have approximately million common units outstanding. ETP unitholders are therefore expected to hold approximately % of the aggregate number of SXL common units outstanding immediately after the merger and approximately % of SXL s total units of all classes. Holders of SXL common units (similarly to holders of ETP common units) are not entitled to elect SXL s general partner or the directors of the board of directors (the SXL Board) of SXL s general partner and have only limited voting rights on matters affecting SXL s business.

Interests of Directors and Executive Officers of ETP in the Merger (See page 83)

ETP s directors and executive officers have interests in the merger that are different from, or in addition to, the interests of ETP unitholders generally. The members of the ETP Board were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to ETP s unitholders that the merger agreement be adopted.

These interests include:

- Certain members of the ETP Board are also members of the ETE board of directors and/or the SXL Board and are executives of ETE and/or ETP.
- The members of the ETP Board are expected to serve as members of the ETP Board following the merger, when the ETP Board becomes responsible for managing ETP GP as the general partner of SXL.
- Certain executive officers of ETP have been offered roles at SXL following the completion of the merger.
- As with all holders of ETP restricted units, the ETP restricted units held by executive officers and directors of ETP will be converted into the right to receive an award of restricted units relating to SXL common units on the same terms and conditions as were applicable to the ETP restricted units, except that the number of SXL common units covered by the award will be equal to the number of ETP common units multiplied by the exchange ratio, rounded up to the nearest whole unit.

Interests of ETE and ETP in the Merger (See page 86)

ETE holds a controlling ownership interest in ETP. ETE controls ETP through ETE s ownership of ETP GP LLC, which is the general partner of ETP GP. ETE also owns all of the limited partner interests of ETP GP. ETP GP owns 100% of the general partner interest and incentive distribution rights in ETP and all of the Class J units in ETP. ETE

also owns all of the Class H units and Class I units in ETP, as well as approximately 0.5% of the outstanding ETP common units. In addition, ETE indirectly owns a 0.1% membership interest in SXL GP, which owns 100% of the general partner interest and incentive distribution rights in SXL. ETE has different economic interests in the merger than ETP common unitholders generally due to, among other things, ETE s ownership of economic interests in ETP other than ETP common units and ETE s ongoing ownership of the general partner interest and incentive distribution rights in SXL following the merger.

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ETP holds a controlling ownership interest in SXL through its ownership of a 99.9% membership interest in SXL GP, which owns 100% of the general partner interest and incentive distribution rights in SXL. ETP also owns all of the Class B units in SXL and approximately 21% of the outstanding SXL common units.

Under the terms of the merger agreement, ETE has agreed to vote all of the ETP common units owned beneficially or of record by ETE and its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof.

Risk Factors Relating to the Merger and Ownership of SXL Common Units (See page 30)

ETP unitholders should consider carefully all the risk factors together with all of the other information included or incorporated by reference in this proxy statement/prospectus before deciding how to vote. Risks relating to the merger and ownership of SXL common units are described in the section titled Risk Factors. Some of these risks include, but are not limited to, those described below:

- Because the market price of SXL common units will fluctuate prior to the consummation of the merger, ETP unitholders cannot be sure of the market value of the SXL common units they will receive as merger consideration relative to the value of ETP common units they exchange.

- SXL and ETP may be unable to obtain the regulatory clearances required to complete the merger or, in order to do so, SXL and ETP may be required to comply with material restrictions or satisfy material conditions.

- The merger agreement contains provisions that limit ETP s ability to pursue alternatives to the merger, which could discourage a potential competing acquirer of ETP from making a favorable alternative transaction proposal and, in specified circumstances, including if unitholder approval is not obtained or if the merger agreement is terminated due to an adverse recommendation change having occurred, could require ETP to reimburse up to $30.0 million of SXL s out-of-pocket expenses and pay a termination fee to SXL of $630.0 million, less any previous expense reimbursements by ETP. Following payment of the termination fee, ETP will not be obligated to pay any additional expenses incurred by SXL or its affiliates.

- Directors and officers of ETP have certain interests that are different from those of ETP unitholders generally.

- ETP unitholders will have a reduced ownership in the combined organization after the merger.

- SXL common units to be received by ETP unitholders as a result of the merger have different rights from ETP common units.

- No ruling has been requested with respect to the U.S. federal income tax consequences of the merger.

The intended U.S. federal income tax consequences of the merger are dependent upon SXL and ETP being treated as partnerships for U.S. federal income tax purposes.

ETP GP is owned by ETE and SXL GP is owned by ETP and ETE. This may result in conflicts of interest.

SXL common unitholders have limited voting rights and are not entitled to elect SXL s general partner or the directors of SXL s general partner.

SXL s tax treatment following the merger will depend on its status as a partnership for U.S. federal income tax purposes, as well as it not being subject to a material amount of entity-level taxation by individual states or local entities. If the IRS were to treat SXL as a corporation or SXL were to become subject to a material amount of entity-level taxation for state or local tax purposes, the amount of cash available for payment for distributions on the SXL common units would be substantially reduced.

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Material U.S. Federal Income Tax Consequences of the Merger (See page 116)

Tax matters associated with the merger are complicated. The U.S. federal income tax consequences of the merger to an ETP common unitholder will depend, in part, on such unitholder s own personal tax situation. The tax discussions contained herein focus on the U.S. federal income tax consequences generally applicable to individuals who are residents or citizens of the United States that hold their ETP common units as capital assets, and these discussions have only limited application to other unitholders, including those subject to special tax treatment. ETP common unitholders are urged to consult their tax advisors for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger that will be applicable to them.

The expected U.S. federal income tax consequences of the merger are dependent upon SXL and ETP being treated as partnerships for U.S. federal income tax purposes at the time of the merger. Whether each of SXL and ETP will be treated as partnerships for U.S. federal income tax purposes at the time of the merger will depend, in part, on whether at least 90% of the gross income of each of them for the calendar year that immediately proceeds the merger and the calendar year that includes the closing date of the merger is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code.

In connection with the merger, ETP expects to receive an opinion from Latham & Watkins LLP to the effect that (i) ETP should not recognize any income or gain as a result of the merger; (ii) no gain or loss should be recognized by holders of ETP common units as a result of the merger (other than any gain resulting from the distribution of cash or from any decrease in partnership liabilities pursuant to Section 752 of the Code); and (iii) at least 90% of the gross income of ETP for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code.

In connection with the merger, SXL expects to receive an opinion from Vinson & Elkins L.L.P. to the effect that (i) for U.S. federal income tax purposes SXL should not recognize any income or gain as a result of the merger (other than any gain resulting from a disguised sale attributable to contributions of cash or other property to SXL after the date of the merger agreement and prior to the effective time of the merger); (ii) for U.S. federal income tax purposes no gain or loss should be recognized by holders of SXL common units as a result of the merger (other than any gain resulting from (A) any decrease in partnership liabilities pursuant to Section 752 of the Code and (B) a disguised sale attributable to contributions of cash or other property to SXL after the date of the merger agreement and prior to the effective time of the merger); (iii) at least 90% of the gross income of SXL for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code; and (iv) at least 90% of the combined gross income of each of SXL and ETP for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code.

Opinions of counsel, however, are subject to certain limitations and are not binding on the Internal Revenue Service (IRS) and no assurance can be given that the IRS would not successfully assert a contrary position regarding the merger and the opinions of counsel. In addition, such opinions will be based upon certain factual assumptions and representations made by the officers of SXL, SXL GP, ETP, ETP GP and any of their respective affiliates. Please read Material U.S. Federal Income Tax Consequences of the Merger for a more complete discussion of the U.S. federal income tax consequences of the merger.

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Accounting Treatment of the Merger (See page 87)

ETP controls SXL through its ownership of SXL GP and therefore currently consolidates the operations of SXL into ETP s financial statements. For accounting purposes, the merger will result in ETP being considered the surviving consolidated entity, rather than SXL, which is the surviving consolidated entity for legal and reporting purposes. Subsequent to the merger, SXL will present consolidated financial statements that reflect the historical consolidated financial statements of ETP. The merger will be accounted for as an equity transaction and will be reflected in the consolidated financial statements as ETP s acquisition of SXL s noncontrolling interest. The carrying amounts of SXL s and ETP s assets and liabilities will not be adjusted, nor will a gain or loss be recognized as a result of the merger.

Listing of SXL Common Units; Delisting and Deregistration of ETP Common Units (See page 88)

SXL common units are currently listed on the NYSE under the ticker symbol SXL. It is a condition to closing that the SXL common units to be issued in the merger to ETP unitholders be approved for listing on the NYSE, subject to official notice of issuance. Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and apply to continue the listing of its common units on the NYSE under the symbol ETP.

ETP common units are currently listed on the NYSE under the ticker symbol ETP. If the merger is completed, ETP common units will cease to be listed on the NYSE and will be deregistered under the Exchange Act. Following the consummation of the merger, it is expected that ETP will change its name to Energy Transfer, LP.

No Dissenters Rights or Appraisal Rights (See page 87)

Neither dissenters rights nor appraisal rights are available in connection with the merger under the Delaware LP Act, the merger agreement or the ETP partnership agreement.

Conditions to Consummation of the Mergers (See page 91)

SXL and ETP currently expect to complete the merger shortly following the conclusion of the meeting, subject to receipt of required ETP unitholder approval and regulatory approvals and clearances and to the satisfaction or waiver of the other conditions to the transactions contemplated by the merger agreement described below.

As more fully described in this proxy statement/prospectus, each party s obligation to complete the transactions contemplated by the merger agreement depends on a number of customary closing conditions being satisfied or, where legally permissible, waived, including the following:

- the merger agreement and the transactions contemplated thereby must have been adopted by the affirmative vote or consent of the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class;

- any waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) must have been terminated or expired, and any approval or consent under any other applicable antitrust law must have been obtained;

no law, injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any governmental authority will be in effect enjoining, restraining, preventing or prohibiting the consummation of the transactions contemplated by the merger agreement or making the consummation of such transactions illegal;

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the registration statement of which this proxy statement/prospectus forms a part must have been declared effective by the SEC and must not be subject to any stop order or proceedings initiated or threatened by the SEC;

the SXL common units to be issued in the merger must have been approved for listing on the NYSE, subject to official notice of issuance;

ETP having received from Latham & Watkins LLP, tax counsel to ETP, a written opinion regarding certain U.S. federal income tax matters, as described under Proposal 1: The Merger Agreement Conditions to Consummation of the Mergers ; and

SXL having received from Vinson & Elkins L.L.P., tax counsel to SXL, a written opinion regarding certain U.S. federal income tax matters, as described under Proposal 1: The Merger Agreement Conditions to Consummation of the Mergers.

The obligations of SXL, SXL Merger Sub and SXL Merger Sub LP to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of ETP and ETP GP in the merger agreement being true and correct in all respects both when made and at and as of the date of the closing of the merger, subject to certain standards, including materiality and material adverse effect qualifications, as described under Proposal 1: The Merger Agreement Conditions to Consummation of the Mergers ;

ETP and ETP GP having performed, in all material respects, all obligations required to be performed by them under the merger agreement;

the receipt of an officer s certificate executed by an executive officer of ETP GP certifying that the two preceding conditions have been satisfied

SXL having received from Vinson & Elkins L.L.P., tax counsel to SXL, a written opinion regarding certain U.S. federal income tax matters, as described under Proposal 1: The Merger Agreement Conditions to Consummation of the Mergers ; and

ETP GP, as the GP surviving entity and the successor to SXL GP as general partner of SXL, having executed and delivered to SXL a joinder agreement by which ETP GP agrees to assume the rights and duties of the general partner of SXL under the Fourth Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., a form of which is attached to this proxy statement/prospectus as Annex C (the SXL partnership agreement), and to be bound by the provisions therein.

The obligations of ETP and ETP GP to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of SXL, SXL GP, SXL Merger Sub and SXL Merger Sub LP in the merger agreement being true and correct in all respects both when made and at and as of the date of the closing of the merger, subject to certain standards, including materiality and material adverse effect qualifications, as described under Proposal 1: The Merger Agreement Conditions to Consummation of the Mergers ;

SXL, SXL GP, SXL Merger Sub and SXL Merger Sub LP having performed, in all material respects, all obligations required to be performed by them under the merger agreement;

the receipt of an officer s certificate executed by an executive officer of SXL GP and an authorized signatory of SXL Merger Sub certifying that the two preceding conditions have been satisfied;

ETP having received from Latham & Watkins LLP, tax counsel to ETP, a written opinion regarding certain U.S. federal income tax matters, as described under Proposal 1: The Merger Agreement Conditions to Consummation of the Mergers ; and

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SXL GP having executed and delivered to ETP the SXL partnership agreement, as described under Proposal 1: The Merger Agreement Conditions to Consummation of the Mergers.

SXL Amended and Restated Partnership Agreement (See page 87)

In conjunction with the merger, SXL GP will execute and deliver to ETP the SXL partnership agreement, and ETP GP will execute and deliver to SXL a joinder agreement by which ETP GP will agree to assume the rights and duties of the general partner of SXL under the SXL partnership agreement. The amendments to the current SXL partnership agreement contained within the SXL partnership agreement will provide for, among other things, (i) the reduction by ETE, as the indirect holder of SXL s incentive distribution rights following the consummation of the merger, in quarterly distributions in respect of such rights equal to the amount of the reduction in quarterly distributions in respect of ETP s incentive distribution rights set forth in the ETP partnership agreement prior to the date of the merger agreement, (ii) the creation and issuance of the SXL preferred units and Class E, Class G, Class I, Class J, and Class K units and (iii) a change in the definition of Operating Surplus in the SXL partnership agreement to provide that such term will include an amount equal to the accumulated and undistributed operating surplus of ETP as of the closing of the merger. See The Merger SXL Amended and Restated Partnership Agreement.

Regulatory Approvals and Clearances Required for the Merger (See page 87)

Consummation of the merger is subject to the expiration or termination of the applicable waiting period under the HSR Act, if any, and obtaining any approval or consent under any other applicable antitrust law. There is no filing requirement under the HSR Act for the merger, and therefore no waiting period applies. Further, no approvals or consents are required under any other antitrust law. Therefore, there are no regulatory approvals or clearances required to consummate the merger. See The Merger Regulatory Approvals and Clearances Required for the Merger.

No Solicitation by ETP of Alternative Proposals (See page 94)

The merger agreement contains detailed provisions prohibiting ETP from seeking an alternative proposal to the merger. Under these no solicitation provisions, ETP has agreed that it will not, and will cause its subsidiaries not to, and use its reasonable best efforts to cause its and its subsidiaries directors, officers, employees, investment bankers, financial advisors, attorneys, accountants, agents and other representatives not to, directly or indirectly:

solicit, initiate, knowingly facilitate, knowingly encourage (including by way of furnishing confidential information) or knowingly induce or take any other action intended to lead to any inquiries or any proposals that constitute or could reasonably be expected to lead to an alternative proposal;

grant any waiver or release of any standstill or similar agreement with respect to any units of ETP or of any of its subsidiaries; or

except as permitted by the merger agreement, enter into any confidentiality agreement, merger agreement, letter of intent, agreement in principle, unit purchase agreement, asset purchase agreement or unit exchange agreement, option agreement or other similar agreement relating to an alternative proposal.

In addition, the merger agreement requires ETP and its subsidiaries to (i) cease and cause to be terminated any discussions or negotiations with any persons conducted prior to the execution of the merger agreement regarding an alternative proposal, (ii) request the return or destruction of all confidential information previously provided to any

such persons and (iii) immediately prohibit any access by any persons (other than SXL and its representatives) to any physical or electronic data room relating to a possible alternative proposal.

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Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances at any time prior to ETP unitholders voting in favor of adopting the merger agreement, ETP may furnish information, including confidential information, with respect to it and its subsidiaries to, and participate in discussions or negotiations with, any third party that makes a written alternative proposal that the ETP Board (upon the recommendation of the ETP Conflicts Committee) believes is bona fide so long as (after consultation with its financial advisors and outside legal counsel) the ETP Board (upon the recommendation of the ETP Conflicts Committee) determines in good faith that (i) such alternative proposal constitutes or could reasonably be expected to lead to or result in a superior proposal, (ii) failure to furnish such information or participate in such discussions would be inconsistent with the ETP Board s duties under the ETP partnership agreement or applicable law and (iii) such alternative proposal did not result from a material breach of the no solicitation provisions in the merger agreement.

ETP has also agreed in the merger agreement that it (i) will promptly, and in any event within 24 hours after receipt, notify SXL of any alternative proposal or any request for information or inquiry with regard to any alternative proposal and the identity of the person making any such alternative proposal, request or inquiry (including providing SXL with copies of any written materials received from or on behalf of such person relating to such proposal, offer, request or inquiry) and (ii) will provide SXL with the terms, conditions and nature of any such alternative proposal, request or inquiry. In addition, ETP agrees to keep SXL reasonably informed of all material developments affecting the status and terms of any such alternative proposals, offers, inquiries or requests (and promptly provide SXL with copies of any written materials received by it or that it has delivered to any third party making an alternative proposal that relate to such proposals, offers, requests or inquiries) and of the status of any such discussions or negotiations.

Change in ETP Board Recommendation (See page 96)

The merger agreement provides that ETP will not, and will cause its subsidiaries and use reasonable best efforts to cause its representatives not to, directly or indirectly, withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to SXL, the recommendation of the ETP Board that its unitholders adopt the merger agreement or publicly recommend the approval or adoption of, or publicly approve or adopt, or propose to publicly recommend, approve or adopt, any alternative proposal, or fail to recommend against acceptance of any tender offer or exchange offer for ETP units within ten business days after commencement of such offer, or resolve or agree to take any of the foregoing actions. In addition, subject to certain limitations, if ETP receives an alternative proposal it will, within five business days of receipt of a written request from SXL, publicly reconfirm the recommendation of the ETP Board that its unitholders adopt the merger agreement and ETP may not unreasonably withhold, delay (beyond the five business day period) or condition such public reconfirmation.

ETP s taking or failing to take, as applicable, any of the actions described above is referred to as an adverse recommendation change.

Subject to the satisfaction of specified conditions in the merger agreement described under Proposal 1: The Merger Agreement Change in ETP Board Recommendation, the ETP Board and the ETP Conflicts Committee may, at any time prior to the adoption of the merger agreement by the ETP unitholders, effect an adverse recommendation change in response to either (i) an alternative proposal constituting a superior proposal or (ii) a changed circumstance that was not known to or reasonably foreseeable by the ETP Board prior to the date of the merger agreement, in each case if the ETP Board, upon the recommendation of the ETP Conflicts Committee and after consultation with its outside legal counsel and financial advisors, determines in good faith that the failure to take such action would be inconsistent with its duties under the ETP partnership agreement or applicable law.

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Termination of the Merger Agreement (See page 99)

The merger agreement may be terminated at any time prior to the effective time:

by mutual written consent of SXL and ETP;

by either SXL or ETP:

if the merger has not been consummated on or before May 20, 2017 (the outside date); *provided*, that the right to terminate is not available to a party if the inability to satisfy such condition was due to the failure of such party to perform any of its obligations under the merger agreement or if the other party has filed and is pursuing an action seeking specific performance pursuant to the terms of the merger agreement;

if any governmental authority has issued a final and nonappealable law, injunction, judgment or ruling that enjoins or otherwise prohibits the consummation of the transactions contemplated by the merger agreement or makes the transactions contemplated by the merger agreement illegal; *provided*, *however*, that the right to terminate is not available to a party if such final law, injunction, judgment or rule was due to the failure of such party to perform any of its obligations under the merger agreement; or

if the ETP unitholders do not adopt the merger agreement at the special meeting or any adjournment or postponement of such meeting;

by SXL:

if an adverse recommendation change by the ETP Board shall have occurred;

if prior to the adoption of the merger agreement by ETP unitholders, ETP is in willful breach of its obligations to (i) duly call, give notice of, convene and hold a special meeting of ETP unitholders for the purpose of obtaining unitholder approval of the merger agreement, use its reasonable best efforts to solicit proxies from the ETP unitholders in favor of such adoption and, through the ETP Board, recommend the adoption of the merger agreement to ETP unitholders or (ii) comply with the requirements described under Proposal 1: The Merger Agreement No Solicitation by ETP of Alternative Proposals, in each case, subject to certain exceptions discussed in Proposal 1: The Merger Agreement Termination of the Merger Agreement ; or

if there is a breach by ETP of any of its representations, warranties, covenants or agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice from SXL of such breach, subject to certain exceptions discussed in Proposal 1: The Merger Agreement Termination of the Merger Agreement ;

by ETP:

if there is a breach by SXL of any of its representations, warranties, covenants or agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice from ETP of such breach, subject to certain exceptions discussed in Proposal 1: The Merger Agreement Termination of the Merger Agreement ; or

prior to the adoption of the merger agreement by ETP s unitholders, in order to enter into (concurrently with such termination) any agreement, understanding or arrangement providing for a superior proposal in accordance with the requirements described under Proposal 1: The Merger Agreement No Solicitation by ETP of Alternative Proposals, including payment of the termination fee.

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Expenses (See page 101)

Generally, all fees and expenses incurred in connection with the transactions contemplated by the merger agreement will be the obligation of the party incurring such fees and expenses.

In addition, following a termination of the merger agreement in specified circumstances, including if ETP unitholder approval is not obtained, ETP will be required to pay all of the reasonably documented out-of-pocket expenses incurred by SXL and its affiliates in connection with the merger agreement and the transactions contemplated thereby, up to a maximum amount of $30.0 million. Following payment of the termination fee, ETP will not be obligated to pay any additional expenses incurred by SXL or its affiliates.

Termination Fee (See page 100)

Following termination of the merger agreement under specified circumstances, including due to an adverse recommendation change having occurred, ETP will be required to pay SXL a termination fee of $630.0 million, less any expenses of SXL and its affiliates previously reimbursed by ETP to SXL pursuant to the merger agreement. Following payment of the termination fee, ETP will not be obligated to pay any additional expenses incurred by SXL or its affiliates.

Comparison of Rights of SXL Unitholders and ETP Unitholders (See page 138)

ETP unitholders will own SXL common units following the completion of the merger, and their rights associated with those SXL common units will be governed by the SXL partnership agreement, which differs in a number of respects from the ETP partnership agreement, and the Delaware LP Act.

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Corporate Structure Prior to and Following the Mergers

The following represents the simplified corporate structure of ETE, SXL and ETP prior to the mergers:

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The following represents the simplified corporate structure of ETE, SXL and ETP following the completion of the mergers:

(1) Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and apply to continue the listing of its common units on the NYSE under the symbol ETP.
(2) Following the consummation of the merger, it is expected that ETP will change its name to Energy Transfer, LP.

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Selected Historical Consolidated Financial Data of SXL

The following table shows SXL s selected historical consolidated financial data for each of the years ended December 31, 2015, 2014, and 2013, the period from acquisition, October 5, 2012 to December 31, 2012, the period from January 1, 2012 to October 4, 2012, and the year ended 2011 and consolidated financial data for each of the nine months ended September 30, 2016 and 2015 and are derived from SXL s audited and unaudited historical consolidated financial statements.

You should read the following historical financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto set forth in SXL s Annual Report on Form 10-K for the year ended December 31, 2015 and SXL s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, which are incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information.

	Successor						Predecessor	
	Nine Months Ended September 30,		Year Ended December 31,			Period from Acquisition, October 5, 2012 to December 31, 2012	Period from January 1, 2012 to October 4, 2012	Year Ended December 31,
(Dollars in millions, except per unit data)	2016	2015	2015	2014	2013			2011
Income Statement Data:								
Revenues:								
Sales and other operating revenue:								
Unaffiliated customers	$ 5,927	$ 7,766	$ 9,971	$ 17,018	$ 15,073	$ 2,989	$ 9,460	$ 10,473
Affiliates	307	415	515	1,070	1,566	200	461	432
Gain on divestment and related matters							11	
Total revenues	$ 6,234	$ 8,181	$ 10,486	$ 18,088	$ 16,639	$ 3,189	$ 9,932	$ 10,905
Operating income	$ 613	$ 467	$ 530	$ 367	$ 560	$ 159	$ 460	$ 423
Other income	$ 27	$ 19	$ 22	$ 25	$ 21	$ 5	$ 18	$ 13
Income before income tax expense	$ 522	$ 389	$ 418	$ 325	$ 504	$ 150	$ 413	$ 347
Net Income	$ 503	$ 371	$ 397	$ 300	$ 474	$ 142	$ 389	$ 322
Net income attributable to noncontrolling interests	(2)	(2)	(3)	(9)	(11)	(3)	(8)	(9)
Net income attributable to redeemable noncontrolling interests		(1)	(1)					
	$ 501	$ 368	$ 393	$ 291	$ 463	$ 139	$ 381	$ 313

Net Income Attributable to Sunoco Logistics Partners L.P.

Net Income Attributable to Sunoco Logistics Partners L.P. per Limited Partner unit:								
Basic	$ 0.68	$ 0.67	$ 0.42	$ 0.52	$ 1.63	$ 0.55	$ 1.57	$ 1.28
Diluted	$ 0.68	$ 0.66	$ 0.42	$ 0.51	$ 1.63	$ 0.55	$ 1.57	$ 1.27
Cash distributions per unit to Limited Partners:								
Paid	$ 1.468	$ 1.257	$ 1.715	$ 1.426	$ 1.174	$ 0.259	$ 0.659	$ 0.805
Declared	$ 1.499	$ 1.315	$ 1.794	$ 1.495	$ 1.232	$ 0.273	$ 0.707	$ 0.818

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Selected Historical Consolidated Financial Data of ETP

The following summary historical consolidated balance sheet data as of December 31, 2015, 2014, 2013, 2012 and 2011 and the summary historical consolidated statement of operations for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 and consolidated financial data as of and for each of the nine months ended September 30, 2016 and 2015 are derived from ETP s audited and unaudited historical consolidated financial statements.

You should read the following historical consolidated financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto set forth in ETP s Annual Report on Form 10-K for the year ended December 31, 2015 and ETP s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, which are incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information.

			Historical				
	Nine Months Ended September 30,		Year Ended December 31,				
(Dollars in millions, except per unit data)	**2016**	**2015**	**2015**	**2014**	**2013**	**2012**	**2011**
Statement of Operations Data:							
Total revenues	$ 15,301	$ 28,467	$ 34,292	$ 55,475	$ 48,335	$ 16,964	$ 8,190
Operating income	1,967	2,072	2,259	2,443	1,619	1,425	1,279
Income from continuing operations	986	1,500	1,521	1,235	713	1,754	740
Basic net income (loss) per limited partner unit	(0.54)	0.70	(0.09)	1.58	(0.23)	4.93	1.12
Diluted net income (loss) per limited partner unit	(0.54)	0.68	(0.10)	1.58	(0.23)	4.91	1.12
Cash distributions per unit	3.165	3.105	4.16	3.86	3.61	3.58	3.58
Balance Sheet Data (at period end):							
Total assets	67,927	64,145	65,173	62,518	49,900	48,394	20,443
Long-term debt, less current maturities	29,182	27,449	28,553	24,831	19,761	17,599	9,075
Total equity	26,915	27,064	27,031	25,311	18,694	19,982	9,247
Other Financial Data:							
Capital expenditures:							
Maintenance (accrual basis)	234	308	485	444	391	347	156
Growth (accrual basis)	3,803	5,792	7,682	5,050	2,936	3,186	1,757
Cash paid for acquisitions	159	604	804	2,367	1,737	1,364	1,972

Selected Unaudited Pro Forma Financial Information

The following selected unaudited pro forma condensed consolidated balance sheet data as of September 30, 2016 reflects the merger as if it occurred on September 30, 2016. The unaudited pro forma condensed consolidated statement of continuing operations data for the nine months ended September 30, 2016 and the year ended December 31, 2015 reflect the merger as if it occurred on January 1, 2015.

The following selected unaudited pro forma combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of what the combined organization s condensed financial position or results of operations actually would have been had the merger been completed as of the dates indicated. In addition, the unaudited pro forma combined financial information does not purport to project the future financial position or operating results of the combined organization. Future results may vary

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significantly from the results reflected because of various factors. The following selected unaudited pro forma combined financial information should be read in conjunction with the section entitled Sunoco Logistics Partners L.P. Unaudited Pro Forma Financial Information and related notes included in this proxy statement/prospectus.

Unaudited Pro Forma Condensed Consolidated Balance Sheet Data as of September 30, 2016 (in millions)

	ETP Historical	Pro Forma Adjustments	SXL Pro Forma for Merger
Total assets	$ 67,927	$ (25)	$ 67,902
Total equity	26,915	(25)	26,890
Total liabilities and equity	$ 67,927	$ (25)	$ 67,902

Unaudited Pro Forma Condensed Consolidated Statement of Continuing Operations for the Nine Months Ended September 30, 2016

	ETP Historical	Pro Forma Adjustments	SXL Pro Forma for Merger
Net income (in millions)	$ 986	$	$ 986
Net income (loss) per common unit:			
Basic	$ (0.54)		$ 0.20
Diluted	$ (0.54)		$ 0.20
Weighted average number of common units (in millions):			
Basic	499.8		968.7
Diluted	499.8		970.2

Unaudited Pro Forma Condensed Consolidated Statement of Continuing Operations for the Year Ended December 31, 2015

	ETP Historical	Pro Forma Adjustments	SXL Pro Forma for Merger
Net income (in millions)	$ 1,521	$	$ 1,521

Net income (loss) per common unit:		
Basic	$ (0.09)	$ 0.53
Diluted	$ (0.10)	$ 0.53
Weighted average number of common units (in millions):		
Basic	432.8	830.8
Diluted	433.5	835.6

Unaudited Comparative Per Unit Information

The table below sets forth historical and unaudited pro forma combined per unit information of SXL and ETP.

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Historical Per Unit Information of SXL and ETP

The historical per unit information of SXL and ETP set forth in the table below is derived from the audited and unaudited consolidated financial statements as of and for the year ended December 31, 2015 and as of and for the nine months ended September 30, 2016 for each of SXL and ETP.

Pro Forma Combined Per Unit Information of SXL

The unaudited pro forma combined per unit information of SXL set forth in the table below gives effect to the merger under the purchase method of accounting, as if the merger had been effective on January 1, 2015, in the case of income from continuing operations per unit and cash distributions data, and December 31, 2015, in the case of book value per unit data, and, in each case, assuming that a number of SXL common units equal to 1.5 have been issued in exchange for each outstanding ETP common unit, after giving effect to the settlement of outstanding ETP restricted units and ETP cash units in accordance with the merger agreement. The unaudited pro forma combined per unit information of SXL is derived from the audited and unaudited consolidated financial statements as of and for the years ended December 31, 2015 and as of and for the nine months ended September 30, 2016 for each of SXL and ETP.

Equivalent Pro Forma Combined Per Unit Information of ETP

The unaudited ETP equivalent pro forma per unit amounts set forth in the table below are calculated by multiplying the unaudited pro forma combined per unit amounts of SXL by the sum of the exchange ratio of 1.5.

General

You should read the information set forth below in conjunction with the selected historical financial information of SXL and ETP included elsewhere in this proxy statement/prospectus and the historical financial statements and related notes of SXL and ETP that are incorporated into this proxy statement/prospectus by reference. See Selected Historical Consolidated Financial Data of SXL, Selected Historical Consolidated Financial Data of ETP and Where You Can Find More Information.

The unaudited pro forma per unit information of SXL does not purport to represent the actual results of operations that SXL would have achieved or distributions that would have been declared had the companies been combined during these periods or to project the future results of operations that SXL may achieve or the distributions it may pay after the merger.

	As of and for the Nine Months Ended September 30, 2016	As of and for the Year Ended December 31, 2015
	(in millions, except per unit data)	
Historical SXL		
Income from continuing operations	$ 503	$ 397
Distribution per common unit declared for the period	$ 1.499	$ 1.794
Book value per limited partner unit	$ 24	$ 24

	As of and for the Nine Months Ended September 30, 2016	As of and for the Year Ended December 31, 2015
	(in millions, except per unit data)	
Historical ETP		
Income from continuing operations	$ 986	$ 1,521
Distribution per common unit declared for the period	$ 3.165	$ 4.160
Book value per limited partner unit	$ 38	$ 47

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	As of and for the Nine Months Ended September 30, 2016	As of and for the Year Ended December 31, 2015
	(in millions, except per unit data)	
Pro Forma Combined		
Income from continuing operations	$ 986	$ 1,521
Distribution per common unit declared for the period(1)	$ 1.499	$ 1.794
Book value per limited partner unit	$ 23	$ 27

(1) Pro forma combined distributions per common unit are assumed to be consistent with the historical distributions per common unit declared by SXL.

Comparative Unit Prices and Distributions

SXL common units are currently listed on the NYSE under the ticker symbol SXL. ETP common units are currently listed on the NYSE under the ticker symbol ETP. The table below sets forth, for the calendar quarters indicated, the high and low sale prices per SXL common unit on the NYSE and per ETP common unit on the NYSE. The table also shows the amount of cash distributions declared on SXL common units and ETP common units, respectively, for the calendar quarters indicated.

	SXL Common Units			ETP Common Units		
	High	Low	Cash Distributions	High	Low	Cash Distributions
2016						
Fourth quarter (through December 15, 2016)(1)	$ 28.61	$ 22.07	$	$ 40.70	$ 32.67	$
Third quarter	31.49	26.88	0.5100	43.50	35.02	1.0550
Second quarter	29.77	22.63	0.5000	41.29	29.86	1.0550
First quarter	28.72	15.43	0.4890	35.39	18.62	1.0550
2015						
Fourth quarter	$ 32.89	$ 21.41	$ 0.4790	$ 47.53	$ 27.44	$ 1.0550
Third quarter	38.65	25.44	0.4580	54.64	36.84	1.0550
Second quarter	44.90	37.10	0.4380	59.37	51.73	1.0350
First quarter	46.72	36.62	0.4190	66.58	53.25	1.0150
2014						
Fourth quarter	$ 52.47	$ 35.61	$ 0.4000	$ 69.66	$ 53.12	$ 0.9950
Third quarter	51.45	42.20	0.3825	64.13	54.64	0.9750
Second quarter	47.82	43.01	0.3650	58.20	53.62	0.9550
First quarter	45.76	36.40	0.3475	57.00	52.49	0.9350

(1) Cash distributions in respect of the fourth quarter of 2016 have not been declared or paid.

The following table presents per unit closing prices of SXL common units and ETP common units on (i) November 18, 2016, the last trading day before the public announcement of the merger, and (ii) on , 2017, the most recent practicable trading day before the date of this proxy statement/prospectus. This table also presents the

equivalent market value per ETP common unit on such dates. The equivalent market value per ETP common unit has been determined by multiplying the closing price of SXL common units on those dates by the exchange ratio if the merger had been effective on such date.

	SXL Common Units	ETP Common Units	Equivalent Market Value per ETP Common Unit
November 18, 2016	$ 26.19	$ 39.37	$ 39.29
, 2017	$	$	$

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Although the exchange ratio is fixed, the market prices of SXL common units and ETP common units will fluctuate prior to the consummation of the merger and the market value of the merger consideration ultimately received by ETP common unitholders will depend on the closing price of SXL common units on the day the merger is consummated. Thus, ETP common unitholders will not know the exact market value of the merger consideration they will receive until the closing of the merger.

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RISK FACTORS

In addition to the other information included and incorporated by reference into this proxy statement/prospectus, including the matters addressed in the section titled Cautionary Statement Regarding Forward-Looking Statements, you should carefully consider the following risks before deciding whether to vote for the adoption of the merger agreement and the transactions contemplated thereby. You should also read and carefully consider the risks associated with each of SXL and ETP and their respective businesses. These risks can be found in SXL s and ETP s respective Annual Reports on Form 10-K for the year ended December 31, 2015 as updated by any subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, which are filed with the SEC and incorporated by reference into this proxy statement/prospectus. For further information regarding the documents incorporated into this proxy statement/prospectus by reference, please see the section titled Where You Can Find More Information. Realization of any of the risks described below, any of the events described under Cautionary Statement Regarding Forward-Looking Statements or any of the risks or events described in the documents incorporated by reference could have a material adverse effect on SXL s, ETP s or the combined organization s businesses, financial condition, cash flows and results of operations and could result in a decline in the trading prices of their respective common units.

Risk Factors Relating to the Merger

Because the market price of SXL common units will fluctuate prior to the consummation of the merger, ETP common unitholders cannot be sure of the market value of the SXL common units they will receive as merger consideration relative to the value of ETP common units they exchange.

The market value of the merger consideration that ETP common unitholders will receive in the merger will depend on the trading price of SXL s common units at the closing of the merger. The exchange ratio that determines the number of SXL common units that ETP common unitholders will receive as consideration in the merger is fixed. This means that there is no mechanism contained in the merger agreement that would adjust the number of SXL common units that ETP common unitholders will receive as the merger consideration based on any decreases in the trading price of SXL common units. Unit price changes may result from a variety of factors (many of which are beyond SXL s or ETP s control), including:

- changes in SXL s business, operations and prospects;
- changes in market assessments of SXL s business, operations and prospects;
- interest rates, general market, industry and economic conditions and other factors generally affecting the price of SXL common units; and
- federal, state and local legislation, governmental regulation and legal developments in the businesses in which SXL operates.

Because the merger will be completed after the special meeting, at the time of the meeting, you will not know the exact market value of the SXL common units that you will receive upon completion of the merger. If SXL s common unit price at the closing of the merger is less than SXL s common unit price on the date that the merger agreement was

signed, then the market value of the merger consideration received by ETP unitholders will be less than contemplated at the time the merger agreement was signed.

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The fairness opinion rendered to the ETP Conflicts Committee by Barclays was based on Barclays financial analysis and considered factors such as market and other conditions then in effect, and financial forecasts and other information made available to Barclays, as of the date of the opinion. As a result, the opinion does not reflect changes in events or circumstances after the date of such opinion, including the amendment to the merger agreement. The ETP Conflicts Committee has not obtained, and does not expect to obtain, an updated fairness opinion from Barclays reflecting changes in circumstances that may have occurred since the signing of the merger agreement.

The fairness opinion rendered to the ETP Conflicts Committee by Barclays was provided in connection with, and at the time of, the evaluation of the merger and the merger agreement by the ETP Conflicts Committee. The opinion was based on the financial analyses performed, which considered market and other conditions then in effect, and financial forecasts and other information made available to Barclays, as of the date of the opinion, which may have changed, or may change, after the date of the opinion. The ETP Conflicts Committee has not obtained an updated opinion as of the date of the amendment to the merger agreement or as of the date of this proxy statement/prospectus from Barclays and does not expect to obtain an updated opinion prior to completion of the merger. Changes in the operations and prospects of SXL or ETP, general market and economic conditions and other factors that may be beyond the control of SXL and ETP, and on which the fairness opinion was based, may have altered the value of SXL or ETP or the prices of SXL common units or ETP common units since the date of such opinion, or may alter such values and prices by the time the merger is completed. The opinion does not speak as of any date other than the date of the opinion. For a description of the opinion that Barclays rendered to the ETP Conflicts Committee, please refer to The Merger Opinion of the Financial Advisor to the ETP Conflicts Committee.

ETP is subject to provisions that limit its ability to pursue alternatives to the merger, which could discourage a potential competing acquirer of ETP from making a favorable alternative transaction proposal and, in specified circumstances under the merger agreement, would require ETP to reimburse up to $30.0 million of SXL s out-of-pocket expenses and pay a termination fee to SXL of $630.0 million less any previous expense reimbursements.

Under the merger agreement, ETP is restricted from entering into alternative transactions. Unless and until the merger agreement is terminated, subject to specified exceptions (which are discussed in more detail in Proposal 1: The Merger Agreement No Solicitation by ETP of Alternative Proposals), ETP is restricted from soliciting, initiating, knowingly facilitating, knowingly encouraging or knowingly inducing or negotiating, any inquiry, proposal or offer for a competing acquisition proposal with any person. In addition, ETP may not grant any waiver or release any standstill or similar agreement with respect to any units of ETP or any of its subsidiaries. Under the merger agreement, in the event of a potential change by the ETP Board of its recommendation with respect to the proposed merger in light of a superior proposal, ETP must provide SXL with five days notice to allow SXL to propose an adjustment to the terms and conditions of the merger agreement. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of ETP from considering or proposing that acquisition, even if such third party were prepared to pay consideration with a higher per unit market value than the merger consideration, or might result in a potential competing acquirer of ETP proposing to pay a lower price than it would otherwise have proposed to pay because of the added expense of the termination fee that may become payable in specified circumstances.

If the merger agreement is terminated under specified circumstances, including if the ETP unitholder approval is not obtained, then ETP will be required to pay all of the reasonably documented out-of-pocket expenses incurred by SXL and its affiliates in connection with the merger agreement and the transactions contemplated thereby, up to a maximum amount of $30.0 million. In addition, if the merger agreement is terminated under specified circumstances, including due to an adverse recommendation change having occurred, ETP will be required to pay SXL a termination fee of $630.0 million, less any expenses previously paid by ETP. Following payment of the termination fee, ETP will

not be obligated to pay any additional expenses incurred by SXL or its affiliates. Please read Proposal 1: The Merger Agreement Expenses and Termination Fee. If such a termination fee is

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payable, the payment of this fee could have material and adverse consequences to the financial condition and operations of ETP. For a discussion of the restrictions on soliciting or entering into an alternative transaction and the ability of the ETP Board to change its recommendation, see Proposal 1: The Merger Agreement No Solicitation by ETP of Alternative Proposals and Change in ETP Board Recommendation.

Directors and executive officers of ETP have certain interests that are different from those of ETP unitholders generally.

Directors and executive officers of ETP are parties to agreements or participants in other arrangements that give them interests in the merger that may be different from, or in addition to, your interests as a unitholder of ETP. You should consider these interests in voting on the merger. These different interests are described under The Merger Interests of Directors and Executive Officers of ETP in the Merger.

SXL or ETP may have difficulty attracting, motivating and retaining executives and other employees in light of the merger.

Uncertainty about the effect of the merger on SXL or ETP employees may have an adverse effect on the combined organization. This uncertainty may impair these companies ability to attract, retain and motivate personnel until the merger is completed. Employee retention may be particularly challenging during the pendency of the merger, as employees may feel uncertain about their future roles with the combined organization. In addition, SXL or ETP may have to provide additional compensation in order to retain employees. If employees of SXL or ETP depart because of issues relating to the uncertainty and difficulty of integration or a desire not to become employees of the combined organization, the combined organization s ability to realize the anticipated benefits of the merger could be adversely affected.

SXL and ETP are subject to business uncertainties and contractual restrictions while the proposed merger is pending, which could adversely affect each party s business and operations.

In connection with the pending merger, it is possible that some customers, suppliers and other persons with whom SXL or ETP have business relationships may delay or defer certain business decisions, or might decide to seek to terminate, change or renegotiate their relationship with SXL or ETP as a result of the merger, which could negatively affect SXL s and ETP s respective revenues, earnings and cash available for distribution, as well as the market price of SXL common units and ETP common units, regardless of whether the merger is completed.

Under the terms of the merger agreement, each of SXL and ETP is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies. Such limitations could negatively affect each party s businesses and operations prior to the completion of the merger. Furthermore, the process of planning to integrate two businesses and organizations for the post-merger period can divert management attention and resources and could ultimately have an adverse effect on each party. For a discussion of these restrictions, see Proposal 1: The Merger Agreement Conduct of Business Pending the Consummation of the Merger.

SXL and ETP will incur substantial transaction-related costs in connection with the merger.

SXL and ETP expect to incur a number of non-recurring transaction-related costs associated with completing the merger, combining the operations of the two organizations and achieving desired synergies. These fees and costs will be substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of

the businesses of SXL and ETP. There can be no assurance that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses, will offset the incremental transaction-related costs over time. Thus, any net benefit may not be achieved in the near term, the long term or at all.

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Failure to successfully combine the businesses of SXL and ETP in the expected time frame may adversely affect the future results of the combined organization, and, consequently, the value of the SXL common units that ETP common unitholders receive as part of the merger consideration.

The success of the proposed merger will depend, in part, on the ability of SXL to realize the anticipated benefits and synergies from combining the businesses of SXL and ETP. To realize these anticipated benefits, the businesses must be successfully combined. If the combined organization is not able to achieve these objectives, or is not able to achieve these objectives on a timely basis, the anticipated benefits of the merger may not be realized fully or at all. In addition, the actual integration may result in additional and unforeseen expenses, which could reduce the anticipated benefits of the merger. These integration difficulties could result in declines in the market value of SXL s common units and, consequently, result in declines in the market value of the SXL common units that ETP common unitholders receive as part of the merger consideration.

The merger is subject to conditions, including certain conditions that may not be satisfied on a timely basis, if at all. Failure to complete the merger, or significant delays in completing the merger, could negatively affect the trading prices of SXL common units and ETP common units and the future business and financial results of SXL and ETP.

The completion of the merger is subject to a number of conditions. The completion of the merger is not assured and is subject to risks, including the risk that approval of the merger by ETP common and Series A unitholders or by governmental agencies is not obtained or that other closing conditions are not satisfied. If the merger is not completed, or if there are significant delays in completing the merger, the trading prices of SXL common units and ETP common units and the respective future business and financial results of SXL and ETP could be negatively affected, and each of them will be subject to several risks, including the following:

- the parties may be liable for damages to one another under the terms and conditions of the merger agreement;
- negative reactions from the financial markets, including declines in the price of SXL common units or ETP common units due to the fact that current prices may reflect a market assumption that the merger will be completed;
- having to pay certain significant costs relating to the merger, including, in certain circumstances, the reimbursement by ETP of up to $30.0 million of SXL s expenses and a termination fee of $630.0 million less any previous expense reimbursements by ETP, as described in Proposal 1: The Merger Agreement Expenses and Termination Fee ; and
- the attention of management of SXL and ETP will have been diverted to the merger rather than each organization s own operations and pursuit of other opportunities that could have been beneficial to that organization.

If a governmental authority asserts objections to the merger, SXL and ETP may be unable to complete the merger or, in order to do so, SXL and ETP may be required to comply with material restrictions or satisfy material conditions.

The closing of the merger is subject to the condition that there is no law, injunction, judgment or ruling by a governmental authority in effect enjoining, restraining, preventing or prohibiting the merger contemplated by the merger agreement. If a governmental authority asserts objections to the merger, SXL or ETP may be required to divest assets or accept other remedies in order to complete the merger. There can be no assurance as to the cost, scope or impact of the actions that may be required to address any governmental authority objections to the merger. If SXL or ETP takes such actions, it could be detrimental to it or to the combined organization following the consummation of the merger. Furthermore, these actions could have the effect of delaying or preventing completion of the proposed merger or imposing additional costs on or limiting the revenues or cash available for distribution of the combined organization following the consummation of the merger. See Proposal 1: The Merger Agreement Regulatory Matters.

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Additionally, state attorneys general could seek to block or challenge the merger as they deem necessary or desirable in the public interest at any time, including after completion of the transaction. In addition, in some circumstances, a third party could initiate a private action under antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. SXL may not prevail and may incur significant costs in defending or settling any action under the antitrust laws.

If the merger is approved by ETP common and Series A unitholders, the date that ETP unitholders will receive the merger consideration is uncertain.

As described in this proxy statement/prospectus, completing the proposed merger is subject to several conditions, not all of which are controllable or waivable by SXL or ETP. Accordingly, if the proposed merger is approved by ETP unitholders, the date that ETP common and Series A unitholders will receive the merger consideration depends on the completion date of the merger, which is uncertain.

ETP s and SXL s financial estimates are based on various assumptions that may not prove to be correct.

The financial estimates set forth in the forecast included under The Merger Unaudited Financial Projections of ETP and Unaudited Financial Projections of SXL are based on assumptions of, and information available to, ETP and SXL at the time they were prepared and provided to the ETP Board and SXL Board, as applicable, and the ETP Conflicts Committee and SXL Conflicts Committee, as applicable, and their respective financial advisors. Neither ETP nor SXL knows whether such assumptions will prove correct. Any or all of such estimates may turn out to be wrong. Such estimates can be adversely affected by inaccurate assumptions or by known or unknown risks and uncertainties, many of which are beyond ETP s and SXL s control. Many factors mentioned in this proxy statement/prospectus, including the risks outlined in this Risk Factors section and the events or circumstances described under Cautionary Statement Regarding Forward-Looking Statements, will be important in determining ETP s and SXL s future results. As a result of these contingencies, actual future results may vary materially from ETP s and SXL s estimates. In view of these uncertainties, the inclusion of ETP s and SXL s financial estimates in this proxy statement/prospectus is not and should not be viewed as a representation that the forecast results will be achieved.

ETP s and SXL s financial estimates were not prepared with a view toward public disclosure, and such financial estimates were not prepared with a view toward compliance with published guidelines of any regulatory or professional body. Further, any forward-looking statement speaks only as of the date on which it is made, and ETP and SXL undertake no obligation, other than as required by applicable law, to update their respective financial estimates herein to reflect events or circumstances after the date those financial estimates were prepared or to reflect the occurrence of anticipated or unanticipated events or circumstances.

The financial estimates included in this proxy statement/prospectus have been prepared by, and are the responsibility of, ETP and SXL alone. Moreover, neither ETP s or SXL s independent accountants, Grant Thornton LLP, nor any other independent accountants, have compiled, examined or performed any procedures with respect to ETP s or SXL s prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and, accordingly, Grant Thornton LLP assumes no responsibility for, and disclaims any association with, ETP s or SXL s prospective financial information. The reports of Grant Thornton LLP incorporated by reference herein relate exclusively to the historical financial information of the entities named in those reports and do not cover any other information in this proxy statement/prospectus and should not be read to do so. See The Merger Unaudited Financial Projections of ETP for more information.

The number of outstanding SXL common units will increase as a result of the merger, which could make it more difficult for SXL to pay the current level of quarterly distributions.

As of , 2017, there were more than million SXL common units outstanding. SXL will issue approximately million common units in connection with the merger. Accordingly, the aggregate dollar

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amount required to pay the current per unit quarterly distribution on all SXL common units will increase, which could increase the likelihood that SXL will not have sufficient funds to pay the current level of quarterly distributions to all SXL unitholders. Using a $0.51 per SXL common unit distribution (the amount SXL paid with respect to the third fiscal quarter of 2016 on November 14, 2016 to holders of record as of November 9, 2016), the aggregate cash distribution paid to SXL unitholders totaled approximately $266.0 million, including a distribution of $102.0 million to SXL GP in respect of its general partner interest and ownership of incentive distribution rights. Using the same $0.51 per SXL common unit distribution, the combined pro forma SXL distribution with respect to the third fiscal quarter of 2016, had the merger been completed prior to such distribution, would have resulted in total cash distributions of approximately $763 million, including a distribution of $224 million to SXL GP in respect of its general partner interest and incentive distribution rights.

ETP common unitholders will have a reduced ownership after the merger.

When the merger occurs, each ETP common unitholder that receives SXL common units will become a unitholder of SXL with a percentage ownership of the combined organization that is smaller than such unitholder s percentage ownership of ETP.

SXL common units to be received by ETP common unitholders as a result of the merger have different rights from ETP common units.

Following completion of the merger, ETP common unitholders will no longer hold ETP common units, but will instead be unitholders of SXL. There are important differences between the rights of ETP unitholders and the rights of SXL unitholders. See Comparison of Rights of SXL Unitholders and ETP Unitholders for a discussion of the different rights associated with SXL common units and ETP common units.

A downgrade in SXL s or its subsidiaries credit ratings following the merger could impact the combined entity s access to capital and costs of doing business, and maintaining credit ratings is under the control of independent third parties.

Following the merger, SXL will be a more leveraged entity on a consolidated basis than it is prior to the merger, and the merger may cause rating agencies to reevaluate SXL and its subsidiaries ratings. A downgrade of SXL or its subsidiaries credit ratings might increase SXL and its subsidiaries cost of borrowing and could require SXL to post collateral with third parties, negatively impacting its available liquidity. SXL and its subsidiaries ability to access capital markets could also be limited by a downgrade of its credit ratings and other disruptions.

Credit rating agencies perform independent analysis when assigning credit ratings. The analysis includes a number of criteria including, but not limited to, business composition, market and operational risks, as well as various financial tests. Credit rating agencies continue to review the criteria for industry sectors and various debt ratings and may make changes to those criteria from time to time. Credit ratings are not recommendations to buy, sell or hold investments in the rated entity. Ratings are subject to revision or withdrawal at any time by the rating agencies, and SXL cannot assure you that it will maintain its current credit ratings.

No ruling has been obtained with respect to the U.S. federal income tax consequences of the merger.

No ruling has been or will be requested from the IRS with respect to the U.S. federal income tax consequences of the merger. Instead, SXL and ETP are relying on the opinions of their respective counsel as to the U.S. federal income tax consequences of the merger, and such counsel s conclusions may not be sustained if challenged by the IRS. Please read Material U.S. Federal Income Tax Consequences of the Merger.

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The expected U.S. federal income tax consequences of the merger are dependent upon SXL and ETP being treated as partnerships for U.S. federal income tax purposes.

If either SXL or ETP were to be treated as a corporation for U.S. federal income tax purposes, the consequences of the merger would be materially different. If SXL were to be treated as a corporation for U.S. federal income tax purposes, the merger would likely be a fully taxable transaction to ETP common unitholders.

ETP common unitholders could recognize taxable income or gain for U.S. federal income tax purposes as a result of the merger.

Although for state law purposes ETP will become a wholly owned subsidiary of SXL in the merger, for U.S. federal income tax purposes, ETP (rather than SXL) will be treated as the continuing partnership following the merger. As a result, for U.S. federal income tax purposes, SXL will be deemed to contribute all of its assets to ETP in exchange for ETP units and the assumption of SXL s liabilities, followed by a liquidation of SXL in which ETP units are distributed to SXL unitholders. In addition, as a result of the merger, SXL unitholders will become limited partners of ETP for U.S. federal income tax purposes and will be allocated a share of ETP s nonrecourse liabilities. No ETP common unitholder should recognize any income, gain or loss, for U.S. federal income tax purposes as a result of the merger other than any gain recognized as a result of decreases in partnership liabilities pursuant to Section 752 of the Code. Each ETP common unitholder s share of ETP s nonrecourse liabilities will be recalculated following the merger. Any resulting increase or decrease in an ETP common unitholder s nonrecourse liabilities will result in a corresponding increase or decrease in such unitholder s adjusted tax basis in its ETP common units. A reduction in a common unitholder s share of nonrecourse liabilities would, if such reduction exceeds the unitholder s tax basis in his or her ETP common units, under certain circumstances, result in the recognition of taxable gain by an ETP common unitholder. While there can be no assurance, ETP does not expect any ETP common unitholders to recognize gain in this manner. For additional information, please read Material U.S. Federal Income Tax Consequences of the Merger Tax Consequences of the Merger to ETP and Its Unitholders and Risk Factors Relating to the Merger.

Tax Risks Related to Owning Common Units in SXL Following the Merger

For U.S. federal income tax purposes, the merger is intended to be a merger of SXL and ETP within the meaning of Treasury Regulations promulgated under Section 708 of the Code. Assuming the merger is treated as such, although for state law purposes ETP will become a wholly owned subsidiary of SXL in the merger, for U.S. federal income tax purposes, ETP (rather than SXL) will be treated as the continuing partnership following the merger and SXL will be treated as the terminated partnership. As a result, each holder of SXL common units, including SXL common unitholders and the ETP common unitholders that will receive SXL common units in the merger, will be treated as a partner of ETP for U.S. federal income tax purposes following the merger.

Following the merger, in addition to the risks described above, deemed holders of ETP common units, for U.S. federal income tax purposes, will continue to be subject to the risks that holders of ETP common units are currently subject to, which are described in ETP s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as updated by any subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information for the location of information incorporated by reference in this proxy statement/prospectus.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus and the documents incorporated herein by reference contain forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as anticipate, believe, intend, plan, projection, forecast, strategy, po continue, estimate, expect, may, or the negative of those terms or other variations of them or comparable terminolo Forward-looking statements are also found under The Merger Unaudited Financial Projections of ETP. In particular, statements, express or implied, concerning future actions, conditions or events, future operating results, the ability to generate sales, income or cash flow, to realize cost savings or other benefits associated with the merger, to service debt or to make distributions are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine actual results are beyond the ability of SXL or ETP to control or predict. Specific factors which could cause actual results to differ from those in the forward-looking statements include:

- the ability to complete the merger;
- the ability to obtain requisite regulatory and unitholder approval and the satisfaction of the other conditions to the consummation of the merger;
- the potential impact of the announcement or consummation of the merger on relationships, including with employees, suppliers, customers, competitors, lenders and credit rating agencies;
- SXL s ability to successfully integrate ETP s operations and employees and to realize synergies and cost savings;
- any distribution increases by SXL or ETP;
- the amount of natural gas, NGLs, crude oil and refined products transported in the pipelines and gathering systems of SXL or ETP;
- volatility in the price of crude oil, refined products, natural gas and NGLs;
- SXL s and ETP s access to capital to fund organic growth projects and acquisitions, including significant acquisitions and their ability to obtain debt or equity financing on satisfactory terms;
- declines in the credit markets and the availability of credit for producers connected to SXL s and ETP s respective pipelines, ETP s gathering and processing facilities, and for customers of SXL s and ETP s contract

services business;

changes in the financial condition or operating results of joint ventures or other holdings in which SXL or ETP have an equity ownership interest;

the level of creditworthiness of, and performance by, the customers and counterparties of SXL and ETP;

the use of derivative financial instruments to hedge commodity and interest rate risks;

the amount of collateral required to be posted from time to time in transactions;

changes in commodity prices and the projected demand for and supply of natural gas, crude oil, NGLs and refined products, interest rates and demand for the services of SXL and ETP;

any impairment write-downs of SXL s or ETP s assets;

changes in governmental regulation or enforcement practices with respect to the midstream sector of the natural gas industry, especially with respect to environmental, health and safety matters;

improvements in energy efficiency and development of technology resulting in reduced demand for refined petroleum products;

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the occurrence of unusual weather and other natural phenomena or operating conditions including force majeure events;

environmental risks affecting the production, gathering and processing of natural gas;

industry changes including the impact of consolidations and changes in competition among natural gas midstream companies;

the ability of SXL and ETP to acquire midstream assets and new sources supply and connections to third-party pipelines on satisfactory terms;

non-performance by or disputes with major customers, suppliers or other business partners;

the ability of SXL and ETP to retain existing or acquire new natural gas midstream customers;

regulation of transportation rates on SXL s and ETP s pipelines;

risks related to labor relations and workplace safety;

the age of, and changes in the reliability and efficiency of, SXL s or ETP s operating facilities;

the ability to obtain indemnification related to cleanup liabilities and to clean up any released hazardous materials on satisfactory terms;

delays related to construction of, or work on, new or existing facilities and the ability to obtain required approvals for construction or modernization of SXL s or ETP s facilities and the timing of production from such facilities;

uncertainties relating to the effects of regulatory guidance on permitting under the Clean Water Act and the outcome of current and future litigation regarding mine permitting;

risks and uncertainties relating to general domestic and international economic (including inflation, interest rates and financial and credit markets, disruptions in the crude oil, natural gas, NGLs and refined petroleum products markets, from terrorist activities, international hostilities and other events, and the government s response thereto) and political conditions;

the occurrence of operational hazards or unforeseen interruptions for which SXL or ETP may not be adequately insured;

the amount of SXL s and ETP s debt, which could limit the ability to borrow additional funds, which could create a competitive disadvantage compared to competitors that have less debt, or have other adverse consequences;

the effect of changes in accounting principles and tax laws, and interpretations of both; and

unfavorable results of litigation and the fruition of contingencies referred to in the notes to the financial statements contained in the reports incorporated by reference into this proxy statement/prospectus.

Unless expressly stated otherwise, forward-looking statements are based on the expectations and beliefs of the respective managements of SXL and ETP, based on information currently available, concerning future events affecting SXL and ETP. Although SXL and ETP believe that these forward-looking statements are based on reasonable assumptions, they are subject to uncertainties and factors related to SXL s and ETP s operations and business environments, all of which are difficult to predict and many of which are beyond SXL s and ETP s control. Any or all of the forward-looking statements in this proxy statement/prospectus may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. The foregoing list of factors should not be construed to be exhaustive. Many factors mentioned in this proxy statement/prospectus, including the risks outlined under the caption Risk Factors contained in SXL s and ETP s Exchange Act reports incorporated herein by reference, will be important in determining future results, and actual future results may vary materially. There is no assurance that the actions, events or results of the forward-looking statements will occur, or, if any of them do, when they will occur or what effect they will have

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on SXL s and ETP s results of operations, financial condition, cash flows or distributions. In view of these uncertainties, SXL and ETP caution that investors should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and, except as required by law, SXL and ETP undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect new information or the occurrence of anticipated or unanticipated events or circumstances.

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THE PARTIES

Sunoco Logistics Partners L.P.

SXL is a publicly traded Delaware limited partnership that owns and operates a logistics business, consisting of a geographically diverse portfolio of complementary pipeline, terminalling, and acquisition and marketing assets, which are used to facilitate the purchase and sale of crude oil, NGLs and refined products. SXL conducts business activities in 37 states located throughout the United States. SXL GP, a Pennsylvania limited liability company and the general partner of SXL, is a consolidated subsidiary of ETP. SXL GP holds no assets other than its investment in SXL and notes receivable and other amounts receivable from affiliates of ETP.

SXL s reporting segments are as follows:

Crude Oil. The crude oil segment provides transportation, terminalling and acquisition and marketing services to crude oil markets throughout the southwest, midwest and northeastern United States. Included within the segment is approximately 6,100 miles of crude oil trunk and gathering pipelines in the southwest and midwest United States and equity ownership interests in three crude oil pipelines. SXL s crude oil terminalling services operate with an aggregate storage capacity of approximately 33 million barrels, including approximately 26 million barrels at SXL s Gulf Coast terminal in Nederland, Texas and approximately 3 million barrels at SXL s Fort Mifflin terminal complex in Pennsylvania. SXL s crude oil acquisition and marketing activities utilize its pipeline and terminal assets, its proprietary fleet crude oil tractor trailers and truck unloading facilities, as well as third-party assets, to service crude oil markets principally in the mid-continent United States.

Natural Gas Liquids. The natural gas liquids segment transports, stores, and executes acquisition and marketing activities utilizing a complementary network of pipelines, storage and blending facilities, and strategic off-take locations that provide access to multiple NGLs markets. The segment contains approximately 900 miles of NGLs pipelines, primarily related to SXL s Mariner systems located in the northeast and southwest United States. Terminalling services are facilitated by approximately 5 million barrels of NGLs storage capacity, including approximately 1 million barrels of storage at SXL s Nederland, Texas terminal facility and 3 million barrels at SXL s Marcus Hook, Pennsylvania terminal facility (the Marcus Hook Industrial Complex). This segment also carries out SXL s NGLs blending activities, including utilizing SXL s patented butane blending technology.

Refined Products. The refined products segment provides transportation and terminalling service, through the use of approximately 1,800 miles of refined products pipelines and approximately 40 active refined products marketing terminals. SXL s marketing terminals are located primarily in the northeast, midwest and southeast United States, with approximately 8 million barrels of refined products storage capacity. The refined products segment includes SXL s Eagle Point facility in New Jersey, which has approximately 6 million barrels of refined products storage capacity. The segment also includes SXL s equity ownership interests in four refined products pipeline companies. The segment also performs terminalling activities at the Marcus Hook Industrial Complex. The refined products segment utilizes SXL s integrated pipeline and terminalling assets, as well as acquisition and marketing activities, to service refined products markets in several regions of the United States.

The address of SXL s and SXL GP s principal executive offices is 3807 West Chester Pike, Newtown Square, Pennsylvania 19073, and the telephone number at this address is (866) 248-4344.

Energy Transfer Partners, L.P.

ETP, a Delaware limited partnership, is one of the largest publicly traded master limited partnerships in the United States in terms of equity market capitalization (approximately $19 billion as of October 31, 2016). ETP is managed by its general partner, ETP GP, and ETP GP is managed by its general partner, ETP GP LLC, which is

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owned by ETE, another publicly traded master limited partnership. The primary activities in which ETP is engaged, all of which are in the United States, are as follows:

- Natural gas operations, including the following:
  - natural gas midstream and intrastate transportation and storage; and
  - interstate natural gas transportation and storage through Energy Transfer Interstate Holdings, LLC (ET Interstate) and Panhandle Eastern Pipe Line Company, LP (Panhandle). ET Interstate is the parent company of Transwestern Pipeline Company, LLC, ETC Fayetteville Express Pipeline, LLC, ETC Tiger Pipeline, LLC, CrossCountry Energy, LLC, ETC Midcontinent Express Pipeline, LLC and ET Rover Pipeline LLC. Panhandle is the parent company of Trunkline Gas Company, LLC and Sea Robin Pipeline Company LLC.
- Liquids operations, including NGL transportation, storage and fractionation services; and
- Product and crude oil transportation, terminalling services and acquisition and marketing activities through SXL.

The address of ETP s and ETP GP s principal executive offices is 8111 Westchester Drive, Suite 600, Dallas, Texas 75225, and the telephone number at this address is (214) 981-0700.

Energy Transfer Equity, L.P.

Energy Transfer Equity, L.P. is a Delaware limited partnership, publicly traded on the NYSE under the symbol ETE. ETE directly and indirectly owns equity interests in SXL and ETP.

The address of ETE s principal executive offices is 8111 Westchester Drive, Suite 600, Dallas, Texas 75225, and the telephone number at this address is (214) 981-0700.

SXL Acquisition Sub LLC

SXL Acquisition Sub LLC is a Delaware limited liability company and a wholly owned subsidiary of SXL. SXL Merger Sub was formed on November 21, 2016 solely for the purpose of consummating the merger and has no operating assets. SXL Merger Sub has not carried on any activities to date, except for activities incidental to its and SXL Merger Sub LP s formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

The address of SXL Merger Sub s principal executive offices is 3807 West Chester Pike, Newtown Square, Pennsylvania 19073, and the telephone number at this address is (866) 248-4344.

SXL Acquisition Sub LP

SXL Acquisition Sub LP is a Delaware limited partnership and a wholly owned subsidiary of SXL. SXL Merger Sub LP was formed on December 14, 2016 solely for the purpose of consummating the merger and has no operating assets. SXL Merger Sub LP has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

The address of SXL Merger Sub LP s principal executive offices is 3807 West Chester Pike, Newtown Square, Pennsylvania 19073, and the telephone number at this address is (866) 248-4344.

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THE SPECIAL MEETING

ETP is providing this proxy statement/prospectus to its common and Series A unitholders in connection with the solicitation of proxies to be voted at the special meeting of common and Series A unitholders that ETP has called for, among other things, the purpose of holding a vote upon a proposal to adopt the merger agreement and the transactions contemplated thereby and at any adjournment or postponement thereof. This proxy statement/prospectus constitutes a proxy statement of ETP in connection with the special meeting of ETP common and Series A unitholders and a prospectus for SXL in connection with the issuance by SXL of its common units in connection with the merger. This proxy statement/prospectus is first being mailed to ETP s common and Series A unitholders on or about , 2017, and provides ETP common and Series A unitholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting of ETP common and Series A unitholders.

Date, Time and Place

The special meeting will be held at , on , 2017, at , local time.

Purpose

At the special meeting, ETP common and Series A unitholders will be asked to vote solely on the following proposals:

Merger proposal: To adopt the merger agreement, a composite copy of which, incorporating the amendment into the text of the initial agreement, is attached as Annex A to this proxy statement/prospectus, and the transactions contemplated thereby, including the merger; and

Adjournment proposal: To approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

Recommendation of the ETP Board

The ETP Board recommends that common and Series A unitholders of ETP vote:

Merger proposal: **FOR** the adoption of the merger agreement and the transactions contemplated thereby; and

Adjournment proposal: **FOR** the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

The ETP Board and the ETP Conflicts Committee have (i) determined that the merger agreement and the merger are advisable and fair and reasonable to, and in the best interests of, ETP and the unaffiliated ETP unitholders, and (ii) approved the merger and the merger agreement, and the ETP Board has resolved to recommend adoption of the merger agreement and the transactions contemplated thereby to the ETP unitholders. See The Merger Recommendation of the ETP Board; Reasons for the Merger.

In considering the recommendation of the ETP Board with respect to the merger agreement and the transactions contemplated thereby, you should be aware that some of ETP s directors and executive officers may have interests that are different from, or in addition to, the interests of ETP unitholders more generally. See The Merger Interests of Directors and Executive Officers of ETP in the Merger.

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Record Date; Outstanding Units; Units Entitled to Vote

The record date for the special meeting is , 2017. Only ETP common and Series A unitholders of record at the close of business on the record date will be entitled to receive notice of and to vote at the special meeting or any adjournment or postponement of the meeting.

As of the close of business on the record date of , 2017, there were approximately ETP common units and 1,912,569 Series A units outstanding and entitled to vote at the meeting. Each ETP common unit and Series A unit is entitled to one vote.

If at any time any person or group (other than ETP GP and its affiliates, including ETE) beneficially owns 20% or more of any class of ETP units, such person or group loses voting rights on all of its units and such units will not be considered outstanding. This loss of voting rights does not apply to (i) any person or group who acquired 20% or more of any class of ETP units from ETP GP or its affiliates, (ii) any person or group who directly or indirectly acquired 20% or more of any class of ETP units from that person or group described in clause (i) provided ETP GP notified such transferee that such loss of voting rights did not apply, or (iii) any person or group who acquired 20% or more of any class of units issued by ETP with the prior approval of the ETP Board.

A complete list of ETP common and Series A unitholders entitled to vote at the special meeting will be available for inspection at the principal place of business of ETP during regular business hours for a period of no less than 10 days before the special meeting and at the place of the special meeting during the meeting.

Quorum

A quorum of ETP unitholders represented in person or by proxy at the special meeting is required to vote on adoption of the merger agreement at the special meeting, but not to vote on approval of any adjournment of the meeting. The holders of at least a majority of the outstanding ETP common units and Series A units, considered together as a single class, must be represented in person or by proxy at the meeting in order to constitute a quorum. Any abstentions and broker non-votes will be counted in determining whether a quorum is present at the special meeting.

Required Vote

To adopt the merger agreement and the transactions contemplated thereby, holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, must vote in favor of such adoption. ETP cannot complete the merger unless its common and Series A unitholders adopt the merger agreement and the transactions contemplated thereby. Because approval is based on the affirmative vote of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, an ETP common or Series A unitholder s failure to vote, an abstention from voting or a broker non-vote will have the same effect as a vote AGAINST adoption of the merger agreement.

If a quorum is present at the special meeting, to approve the adjournment of the meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting, holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, must vote in favor of the proposal. Therefore, if a quorum is present at the meeting, abstentions, broker non-votes and an ETP common or Series A unitholder s failure to vote will have the same effect as a vote AGAINST approval of this proposal. If a quorum is not present at the special meeting, to approve the adjournment of the meeting, holders of at least a majority of the outstanding ETP common units and Series A units, together as a single class, represented thereat either in person or by proxy must vote in favor of the proposal. Therefore, if a quorum is not

present, abstentions and broker non-votes will have the same effect as a vote AGAINST approval of the adjournment proposal, but an ETP common or Series A unitholder s failure to vote will have no effect on the outcome of the proposal.

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Unit Ownership of and Voting by ETP s Directors, Executive Officers and Affiliates

As of , 2017, ETP s directors and executive officers and their affiliates (including ETE and its subsidiaries) beneficially owned and had the right to vote ETP common units at the special meeting, which represent % of the ETP common units and Series A units entitled to vote at the special meeting. It is expected that ETP s directors and executive officers will vote their units FOR the adoption of the merger agreement and the transactions contemplated thereby, although none of them has entered into any agreement requiring them to do so. Additionally, under the terms of the merger agreement, ETE has agreed to vote all of the ETP common units owned beneficially or of record by ETE or its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof.

Voting of Units by Holders of Record

If you are entitled to vote at the special meeting and hold your ETP common units or Series A units in your own name, you can submit a proxy or vote in person by completing a ballot at the special meeting. However, ETP encourages you to submit a proxy before the special meeting even if you plan to attend the special meeting in order to ensure that your ETP common units or Series A units are voted. A proxy is a legal designation of another person to vote your ETP common units or Series A units on your behalf. If you hold units in your own name, you may submit a proxy for your ETP common units or Series A units by:

- calling the toll-free number specified on the enclosed proxy card and following the instructions when prompted;
- accessing the Internet website specified on the enclosed proxy card and following the instructions provided to you; or
- filling out, signing and dating the enclosed proxy card and mailing it in the prepaid envelope included with these proxy materials.

When a common or Series A unitholder submits a proxy by telephone or through the Internet, his or her proxy is recorded immediately. ETP encourages its unitholders to submit their proxies using these methods whenever possible. If you submit a proxy by telephone or the Internet website, please do not return your proxy card by mail.

All ETP common units or Series A units represented by each properly executed and valid proxy received before the special meeting will be voted in accordance with the instructions given on the proxy. If an ETP common or Series A unitholder executes a proxy card without giving instructions, the ETP common units or Series A units represented by that proxy card will be voted as the ETP Board recommends, which is:

- ***Merger proposal***: FOR the adoption of the merger agreement and the transactions contemplated thereby; and
- ***Adjournment proposal***: FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special

meeting.

Your vote is important. Accordingly, please submit your proxy by telephone, through the Internet or by mail, whether or not you plan to attend the meeting in person. Proxies must be received by 11:59 p.m., Eastern Time, on , 2017.

Voting of Units Held in Street Name

If your units are held in an account at a bank, broker or through another nominee, you must instruct the bank, broker or other nominee on how to vote your ETP common units or Series A units by following the instructions that the bank, broker or other nominee provides to you with these proxy materials. Most brokers offer the ability for unitholders to submit voting instructions by mail by completing a voting instruction card, by telephone and via the Internet.

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If you do not provide voting instructions to your broker, your ETP common units or Series A units will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is referred to in this proxy statement/prospectus and in general as a broker non-vote. In these cases, the bank, broker or other nominee can register your ETP common units or Series A units as being present at the special meeting for purposes of determining a quorum, but will not be able to vote your ETP common units or Series A units on those matters for which specific authorization is required. Under the current rules of the NYSE, brokers do not have discretionary authority to vote on any of the proposals, including the ETP merger proposal. A broker non-vote of an ETP common unit will have the same effect as a vote AGAINST the ETP merger proposal and the ETP adjournment proposal.

If you hold ETP common units or Series A units through a bank, broker or other nominee and wish to vote your ETP common units or Series A units in person at the special meeting, you must obtain a proxy from your bank, broker or other nominee and present it to the inspector of election with your ballot when you vote at the special meeting.

Revocability of Proxies; Changing Your Vote

You may revoke your proxy and/or change your voting instructions at any time before your proxy is voted at the special meeting. If you are a ETP common or Series A unitholder of record, you can do this by:

- sending a written notice to Energy Transfer Partners, L.P. at 8111 Westchester Drive, Suite 600, Dallas, Texas 75225, Attention: Corporate Secretary, that bears a date later than the date of the proxy and is received prior to the special meeting and states that you revoke your proxy;
- submitting a valid proxy by mail, telephone or internet that bears a date later than the date of the proxy, but no later than the telephone/internet deadline, and is received prior to the special meeting; or
- attending the special meeting and voting by ballot in person (your attendance at the special meeting will not, by itself, revoke any proxy that you have previously given).

If you hold your ETP common units or Series A units through a bank, broker or other nominee, you must follow the directions you receive from your bank, broker or other nominee in order to revoke your proxy or change your voting instructions.

Solicitation of Proxies

This proxy statement/prospectus is furnished in connection with the solicitation of proxies by the ETP Board to be voted at the special meeting. ETP will bear all costs and expenses in connection with the solicitation of proxies. ETP has engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies for the meeting and ETP estimates it will pay MacKenzie Partners, Inc. a fee of approximately $ for these services. ETP has also agreed to reimburse MacKenzie Partners, Inc. for reasonable out-of-pocket expenses and disbursements incurred in connection with the proxy solicitation and to indemnify MacKenzie Partners, Inc. against certain losses, costs and expenses. In addition, ETP may reimburse brokerage firms and other persons representing beneficial owners of ETP common units for their reasonable expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of ETP s directors, officers and employees by telephone, electronic mail, letter, facsimile or in person, but no additional compensation will be paid to them.

Unitholders should not send unit certificates with their proxies.

A letter of transmittal and instructions for the surrender of ETP common units and Series A units will be mailed to ETP common and Series A unitholders shortly after the completion of the merger.

No Other Business

Under the ETP partnership agreement, the business to be conducted at the special meeting will be limited to the purposes stated in the notice to ETP unitholders provided with this proxy statement/prospectus.

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Adjournments

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. If a quorum exists, an adjournment may be made from time to time with approval of the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class. If a quorum does not exist, an adjournment may be made from time to time with the approval of the holders of at least a majority of the ETP common units and Series A units entitled to vote at such meeting and represented thereat either in person or by proxy, voting together as a single class. ETP is not required to notify unitholders of any adjournment of 45 days or less if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At any adjourned meeting, ETP may transact any business that it might have transacted at the original meeting, provided that a quorum is present at such adjourned meeting. Proxies submitted by ETP unitholders for use at the special meeting will be used at any adjournment or postponement of the meeting. References to the special meeting in this proxy statement/prospectus are to such special meeting as adjourned or postponed.

Assistance

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact MacKenzie Partners, Inc. toll-free at (800) 322-2855 (banks and brokers call collect at (212) 929-5500).

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THE MERGER

This section of the proxy statement/prospectus describes the material aspects of the proposed merger. This section may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the documents incorporated herein by reference, including the full text of the merger agreement and the amendment thereto, for a more complete understanding of the merger. A copy of the composite merger agreement, which incorporates the amendment into the text of the initial agreement, is attached as Annex A hereto. In addition, important business and financial information about each of SXL and ETP is included in or incorporated into this proxy statement/prospectus by reference. See Where You Can Find More Information.

Effect of the Merger and the GP Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, the merger agreement provides for (i) the merger of SXL Merger Sub LP with ETP and (ii) the merger of SXL GP with ETP GP. ETP, which is sometimes referred to following the merger as the surviving entity, and ETP GP, which is sometimes referred to following the GP merger as the GP merger surviving entity, will survive the mergers, and the separate limited partnership and limited liability company existence of SXL Merger Sub LP and SXL GP, respectively, will cease. As a result of the merger and the transactions contemplated thereby, SXL and SXL Merger Sub will become the sole limited partner and sole general partner, respectively, of ETP and, as a result, SXL will own, directly or indirectly, all of the outstanding general and limited partner interests in ETP. Further, ETP GP will become the sole general partner of SXL. After the completion of the merger, the certificate of limited partnership of ETP in effect immediately prior to the effective time will be the certificate of limited partnership of the surviving entity, until amended in accordance with its terms and applicable law, and the ETP partnership agreement in effect immediately prior to the effective time will be the agreement of limited partnership of the surviving entity (except to the extent the limited partnership agreement is amended to reflect the admission of SXL Merger Sub as the sole general partner of ETP), until amended in accordance with its terms and applicable law. After the completion of the GP merger, the certificate of limited partnership of ETP effective immediately prior to the effective time of the GP merger will be the certificate of limited partnership of the GP surviving entity, until amended in accordance with its terms and applicable law, and the limited partnership agreement of ETP GP in effect immediately prior to the effective time of the GP merger will be the limited partnership agreement of the GP merger surviving entity, until amended in accordance with its terms and applicable law.

The merger agreement provides that, at the effective time, each ETP common unit issued and outstanding or deemed issued and outstanding as of immediately prior to the effective time will be converted into the right to receive 1.5 SXL common units. Each Series A unit issued and outstanding as of immediately prior to the effective time will be converted into the right to receive an SXL preferred unit having the same rights, preferences, privileges, duties and obligations that the Series A units had immediately prior to the closing of the merger, subject to certain adjustments in accordance with the ETP partnership agreement. At the effective time, the other classes of ETP units (other than the ETP incentive distribution rights and Class H units, which shall be cancelled) will automatically convert into SXL units as follows:

Each Class E unit issued and outstanding as of immediately prior to the effective time will be converted into a unit representing a limited partner interest in SXL having the same rights, preferences, privileges, duties and obligations that the Class E unit had immediately prior to the closing of the merger (the SXL Class E units);

Each Class G unit issued and outstanding as of immediately prior to the effective time will be converted into a unit representing a limited partner interest in SXL having the same rights, preferences, privileges, duties and obligations that the Class G unit had immediately prior to the closing of the merger (the SXL Class G units);

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Each Class I unit issued and outstanding as of immediately prior to the effective time will be converted into a unit representing a limited partner interest in SXL having the same rights, preferences, privileges, duties and obligations that the Class I unit had immediately prior to the closing of the merger (the SXL Class I units);

Each Class J unit issued and outstanding as of immediately prior to the effective time will be converted into a unit representing a limited partner interest in SXL having the same rights preferences, privileges, duties and obligations that the Class J unit had immediately prior to the closing of the merger; (the SXL Class J units); and

Each Class K unit issued and outstanding as of immediately prior to the effective time will be converted into a unit representing a limited partner interest in SXL having the same rights, preferences, privileges, duties and obligations that the Class K unit had immediately prior to the closing of the merger (the SXL Class K units).

Any SXL securities that are owned by ETP or any of its subsidiaries, excluding SXL GP, immediately prior to the effective time (including the 9,416,196 Class B units representing limited partner interests in SXL (SXL Class B units) and 67,061,274 SXL common units indirectly owned by ETP) will be cancelled without any conversion or payment of consideration in respect thereof. SXL s common units had a value of $26.19 per unit, based on the closing price of SXL common units on the NYSE, as of November 18, 2016, the last trading day prior to the public announcement of the merger, and a value of $ per unit, based on the closing price of SXL common units on , 2017, the most recent practicable trading day prior to the date of this proxy statement/prospectus.

Because the exchange ratio was fixed at the time the merger agreement was executed and because the market value of SXL common units and ETP common units will fluctuate prior to the consummation of the merger, ETP common unitholders cannot be sure of the value of the merger consideration they will receive relative to the value of ETP common units that they are exchanging. For example, decreases in the market value of SXL common units will negatively affect the value of the merger consideration that ETP common unitholders receive, and increases in the market value of ETP common units may mean that the merger consideration that such unitholders receive will be worth less than the market value of the ETP common units that they are exchanging. See Risk Factors Risk Factors Relating to the Merger.

SXL will not issue any fractional units in the merger. Instead, each holder of ETP common units that are converted pursuant to the merger agreement who otherwise would have received a fraction of an SXL common unit will instead be entitled to receive a whole SXL common unit.

At the effective time, each outstanding award of ETP restricted units will, by virtue of the merger and without any action on the part of the holder of any such ETP restricted units, cease to relate to or represent a right to receive ETP common units and will be converted into the right to receive an award of SXL restricted units, on the same terms and conditions as were applicable to the corresponding award of ETP restricted units (including the right to receive distribution equivalents with respect to such award), except that the number of SXL restricted units covered by each such award will be equal to the number of ETP common units subject to the corresponding award of ETP restricted units multiplied by the exchange ratio, rounded up to the nearest whole unit. With respect to each ETP restricted unit, any distribution equivalent amounts accrued but unpaid as of the closing will carry over and be paid to the holder as soon as practicable following the closing.

At the effective time, each outstanding award of ETP cash units will, automatically and without any action on the part of the holder of such cash unit, be converted into the right to receive an award of restricted cash units relating to SXL common units on the same terms and conditions as were applicable to the award of ETP cash units, except that the number of notional SXL common units related to the award will be equal to the number of notional ETP common units related to the corresponding award of ETP cash units multiplied by the exchange ratio, rounded up to the nearest whole unit. Prior to the effective time, the ETP Board will adopt an amendment to the ETP cash unit plan to permit the treatment of ETP cash units as provided in the merger agreement.

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In connection with the mergers, ETP GP will transfer the 0.7% general partner interest in ETP to SXL Merger Sub and SXL Merger Sub will assume the rights and duties of the general partner of ETP. As a result of the merger and the related transactions, the 100% limited partner interest in SXL Merger Sub LP will convert into a 99.3% limited partner interest in ETP, the non-economic general partner interest in SXL Merger Sub LP will be cancelled and SXL Merger Sub will become the general partner of ETP, holding a 0.7% general partner interest. In addition, the incentive distribution rights in ETP and the Class H units outstanding immediately prior to the effective time will be cancelled.

Background of the Merger

The senior management and boards of directors of each of ETP and SXL regularly review operational and strategic opportunities to maximize value for their respective investors. In connection with these reviews, the management and boards of directors of ETP and SXL from time to time evaluate potential transactions that would further their respective strategic objectives.

As part of ETP s and SXL s strategy to maximize value for investors, both ETP and SXL have from time to time evaluated transactions with each other. For example, ETP and SXL own a 45% and 30% economic interest in the Dakota Access Pipeline and ETCO Pipeline joint ventures, respectively, a combined pipeline system that will deliver crude oil from the Bakken/Three Forks production area in North Dakota to the Gulf Coast. Phillips 66 owns the remaining 25% economic interest in this pipeline system, and in August 2016, ETP and SXL each agreed to sell 49% of their economic interest in the pipeline system to a joint venture owned by Marathon Petroleum Corporation and Enbridge Energy Partners, L.P., with closing expected to occur in the first quarter of 2017. In addition, in 2015, ETP and SXL entered into the Bayou Bridge Pipeline joint venture with Phillips 66 Partners, with ETP and SXL each holding a 30% interest and Phillips 66 Partners owning 40%. The Bayou Bridge Pipeline will deliver crude oil from Phillips 66 Partners and SXL s terminals in Nederland, Texas to refinery markets in Louisiana. Finally, in the fourth quarter of 2014, ETP and SXL commenced operations on the joint Mariner South project, where a subsidiary of ETP uses SXL s Mariner South pipeline to deliver export-grade propane and butane products from its Mont Belvieu, Texas storage and fractionation complex to SXL s marine terminal in Nederland, Texas.

In early October 2016, management of ETE, ETP and SXL commenced preparation for semi-annual meetings of the board of directors of each of these entities to be held between October 17 and October 19. In connection with these preparations, management of each of these entities reviewed information related to current and projected financial performance, including projected financial performance under various assumptions related to future crude oil, natural gas and natural gas liquids prices, expected timing for completion of capital expenditure projects, projected debt levels and leverage ratios and other matters. Based on this information, management of ETE analyzed various options to improve the distribution coverage ratios and leverage ratios at ETP and SXL under various assumptions related to future financial performance, including the possibility of a merger of ETP and SXL.

On October 19, 2016, ETE management had an informal discussion with the ETP Board and the board of directors of LE GP, LLC, the general partner of ETE (the ETE Board), regarding the possibility of a merger of ETP and SXL.

On October 31, 2016, ETP contacted a representative of Latham & Watkins LLP (Latham) regarding the potential engagement of Latham as legal advisor to the ETP Board. ETP and the representative of Latham discussed a potential structure for the proposed transaction whereby ETP would merge with and into a wholly owned subsidiary of SXL subject to the necessary approval of the ETP Board, the SXL Board and the ETP unitholders, as well as customary regulatory approvals.

On October 31, 2016, Kelcy L. Warren, Chairman of the Board of Directors of LE GP, LLC, the general partner of ETE, met with Michael J. Hennigan, President and Chief Executive Officer of SXL, regarding the possibility of a

merger between ETP and SXL. Mr. Warren subsequently contacted Steven R. Anderson, as Chairman of the standing SXL Conflicts Committee, to discuss the proposed transaction. On November 1, 2016,

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Mr. Hennigan held a call with Mr. Anderson, Scott Angelle and Basil Bray, the members of the standing SXL Conflicts Committee, to advise them of his discussions with Mr. Warren.

On November 1, 2016, the ETP Board and ETE Board held a joint meeting to discuss ETP management s analysis related to a potential merger transaction between ETP and SXL and the expected structure for such transaction. The ETP Board determined that any such transaction would be subject to review and approval of the ETP Conflicts Committee and determined to appoint David K. Skidmore and Michael K. Grimm to the ETP Conflicts Committee and delegate to the ETP Conflicts Committee the authority to (i) review and evaluate the proposed transaction, (ii) negotiate the terms and conditions of the proposed transaction and (iii) determine whether to approve the proposed transaction and to recommend approval of the proposed transaction to the ETP Board. The formal resolutions establishing the ETP Conflicts Committee, appointing Messrs. Skidmore and Grimm to serve on such committee and delegating authority to the ETP Conflicts Committee to review the proposed transaction (consistent with the motions approved by the ETP Board on November 1, 2016) were adopted on November 14, 2016.

On November 1, 2016, the ETP Conflicts Committee held a telephonic meeting with Thomas P. Mason, Executive Vice President and General Counsel of ETE, James M. Wright, General Counsel of ETP, and representatives of Latham to discuss potential legal advisors to the ETP Conflicts Committee. The ETP Conflicts Committee authorized Latham to speak with Potter Anderson & Corroon LLP (Potter Anderson), which had served as legal counsel to various conflicts committees of the ETE Board on prior matters, to two special committees of the board of directors of the general partner of Sunoco LP (formerly Susser Petroleum Partners LP) on prior matters, and to ETE in connection with the merger of ETP and Regency Energy Partners LP, about their potential engagement as legal advisor to the ETP Conflicts Committee.

On November 1, 2016, representatives of Latham had a telephonic discussion with Potter Anderson about the proposed transaction and arranged for Potter Anderson to speak directly with Mr. Skidmore to discuss the potential engagement of Potter Anderson as legal counsel to the ETP Conflicts Committee. On November 1, 2016, Mr. Skidmore had a telephonic discussion with Potter Anderson to discuss the potential engagement of Potter Anderson as legal counsel to the ETP Conflicts Committee. On November 2, 2016, representatives of Latham had a telephonic discussion with Potter Anderson to further discuss the proposed transaction.

On November 2, 2016, SXL contacted a representative of Vinson & Elkins L.L.P. (V&E) regarding the potential engagement of V&E as legal advisor to the SXL Board.

On November 2, 2016, the ETP Conflicts Committee held a telephonic meeting with Potter Anderson and determined to engage Potter Anderson as legal counsel to the ETP Conflicts Committee. An engagement letter dated November 11, 2016 detailing the terms of Potter Anderson s engagement was subsequently executed. The ETP Conflicts Committee and Potter Anderson discussed potential financial advisors to the ETP Conflicts Committee. The ETP Conflicts Committee also determined to request from ETP management information regarding prior engagements of financial advisors by ETP and its affiliates. Latham subsequently provided to Potter Anderson a list of financial advisors who had been engaged over the past several years by ETP and its affiliates and describing the nature of such engagements.

On November 4, 2016, the SXL Board held a meeting to discuss the proposed transaction. The SXL Board determined that any such transaction would be subject to review and approval of the standing SXL Conflicts Committee and delegated to the SXL Conflicts Committee the authority to (i) review and evaluate any potential conflicts arising in connection with the proposed transaction, (ii) review and evaluate the terms and conditions of the proposed transaction and (iii) make any recommendations to the SXL Board regarding the proposed transaction in light of the potential conflicts of interest in connection with the proposed transaction. The formal resolutions delegating authority

to the SXL Conflicts Committee to review the transaction were adopted later that day. The SXL Conflicts Committee selected Richards, Layton & Finger, P.A. (RLF) as legal counsel to the SXL Conflicts Committee and Citigroup Global Markets Inc. (Citi) as financial advisor to the SXL Conflicts Committee.

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On November 4, 2016, the ETP Conflicts Committee held a telephonic meeting with Potter Anderson to discuss potential financial advisors to the ETP Conflicts Committee, the qualities the ETP Conflicts Committee should consider in evaluating and selecting among financial advisor candidates, the strengths and weaknesses of certain financial advisor candidates, and the desire to limit outbound contacts in order to maintain the confidentiality of the process. The ETP Conflicts Committee determined to further explore engaging Barclays Capital Inc. (Barclays) in light of, among other things, Barclays prior exemplary service as financial advisor to the ETP Conflicts Committee in connection with the merger transaction between ETP and Regency Energy Partners LP, Barclays intimate knowledge of ETP and the other affiliated Energy Transfer entities, and Barclays leading position as advisor in the energy, MLP and M&A spaces. The ETP Conflicts Committee determined to contact Barclays in order to seek additional information regarding Barclays prior engagements by ETP and its affiliates, including the nature of such work and the fees earned, the individual team members who would advise the ETP Conflicts Committee if engaged, and the scope of advisory services that Barclays could offer the ETP Conflicts Committee.

On November 4, 2016, Mr. Skidmore and Potter Anderson held a telephonic meeting with representatives of Barclays to discuss the potential engagement of Barclays as financial advisor to the ETP Conflicts Committee.

On November 5, 2016, the ETP Conflicts Committee held a telephonic meeting with representatives from Potter Anderson to discuss the potential engagement of Barclays as financial advisor to the ETP Conflicts Committee. The ETP Conflicts Committee determined to engage Barclays, subject to receipt of the final results of Barclays internal conflicts and independence review and successful negotiation of an engagement letter and fees. Potter Anderson and the ETP Conflicts Committee also discussed the draft formal resolutions of the ETP Board delegating authority to, and establishing the mandate of, the ETP Conflicts Committee that had been provided to Potter Anderson by Latham. Subsequent to the meeting, Barclays provided to Potter Anderson a draft engagement letter and precedent investment banker fee information.

On November 6, 2016, Mr. Skidmore and Potter Anderson held a telephonic meeting with representatives of Barclays to discuss the potential engagement of Barclays as financial advisor to the ETP Conflicts Committee. During the call, Barclays informed Mr. Skidmore that Barclays had received formal conflicts approval earlier that afternoon and that Barclays and its individual team members did not hold material interests in the ETE family of entities. Mr. Skidmore and Barclays then negotiated and agreed upon Barclays fee.

On November 7, 2016, representatives of Barclays had a call with Mr. Long to discuss initial due diligence and the business rationale of the proposed transaction.

On November 8, 2016, the ETP Conflicts Committee held a telephonic meeting with representatives of Potter Anderson, Barclays, Latham, Mr. Mason, Mr. Long, and Bradford Whitehurst, Executive Vice President and Head of Tax of LE GP, LLC to discuss the structure and rationale of the proposed transaction, the role of ETE in connection therewith, the exchange of diligence information, including financial projections, and the anticipated process regarding exchange of proposals and negotiations between the ETP Conflicts Committee and the SXL Conflicts Committee.

On November 8, 2016, V&E sent Latham and ETP a presentation containing a proposed structure and transaction steps for the mergers, which steps had previously been shared with SXL, and representatives of V&E, Latham and ETP discussed the proposed structure and transaction steps telephonically.

On November 9, 2016, the ETP Conflicts Committee held a telephonic meeting with representatives of Potter Anderson to discuss process matters and to update the ETP Conflicts Committee as to the status of negotiations with Barclays regarding the terms of the Barclays engagement letter. Over the following days, the ETP Conflicts

Committee, Potter Anderson and Barclays negotiated the remaining terms of Barclays engagement letter. The engagement letter detailing the terms of Barclays engagement was entered into on November 19, 2016.

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On November 10, 2016, ETP furnished Barclays with a financial model for purposes of Barclays analysis.

On November 11, 2016, the ETP Conflicts Committee held a meeting with representatives of Potter Anderson and Barclays during which Barclays provided a preliminary financial review of ETP and SXL, a preliminary analysis of the proposed transaction and other background information. During the meeting, Potter Anderson presented a review of the duties and powers of the ETP Conflicts Committee in connection with the proposed transaction pursuant to the ETP partnership agreement and the draft resolutions of the ETP Board delegating authority to the ETP Conflicts Committee.

On November 11, 2016, Mr. Warren sent a letter to the SXL Board, which indicated that ETE believed that it would be advisable for SXL to consider making a proposal to acquire ETP in an all equity transaction in which the equity exchange ratio would be based on a volume weighted average price for the common units of each of SXL and ETP, with an appropriate premium being offered to the ETP common unitholders based on SXL s analysis. The letter also indicated that, as SXL would be the acquiring entity in this transaction, the existing structure of incentive distribution rights in SXL embedded in the current SXL partnership agreement would continue following the closing of the transaction. The letter also indicated that ETE would evaluate and assist with any transaction that SXL would consider proposing to ETP and, in light of ETE s various rights under the partnership agreements and limited liability company agreements related to the general partners of each of SXL and ETP, ETE would be prepared to take appropriate action to consent to a transaction between SXL and ETP that ETE determines is beneficial to the unitholders of ETE. Following the delivery of this letter, Mr. Mason had telephonic conversations with Mr. Hennigan, and a representative of RLF to clarify that, based on this transaction structure, the then-existing SXL incentive distribution subsidies would continue following the closing of the proposed transaction but that, due to the extinguishment of the incentive distribution rights in ETP in connection with ETP being merged with a subsidiary of SXL pursuant to the proposed transaction structure, the corresponding ETP incentive distribution subsidies provided for in the ETP partnership agreement would also be extinguished.

On November 14, 2016, representatives of ETP, SXL, ETE, Latham, V&E, Potter Anderson, RLF, Barclays and Citi, as well as the members of the ETP Conflicts Committee and the SXL Conflicts Committee, attended a meeting at which Matthew S. Ramsey, President and Chief Operating Officer of ETP, Thomas E. Long, Chief Financial Officer of ETP, and Dylan Bramhall, Senior Vice President-Finance and Treasurer of ETP, provided a presentation to the group regarding ETP s business and operations, including a review of each of ETP s business segments and future expected growth projects. The representatives of ETP also reviewed the financial projections for the business and later provided SXL, the SXL Conflicts Committee and Citi with electronic copies of the presentation, which included the financial projections. Following ETP s presentation and extensive questions and answers, the parties agreed that representatives of ETP would further discuss the financial projections and address follow-up questions in a subsequent meeting.

At the November 14th meeting, following the ETP presentation, Mr. Hennigan and Peter Gvazdauskas, Chief Financial Officer and Treasurer of SXL, also provided a presentation to the group regarding SXL s business and operations, including a review of SXL s crude oil projects, NGL projects and refined products projects. The representatives of SXL also reviewed the financial projections for the business and later provided ETP, the ETP Conflicts Committee and Barclays with electronic copies of the presentation, which included the financial projections. Following SXL s presentation and extensive questions and answers, the parties agreed that representatives of SXL would further discuss the financial projections and address follow-up questions in a subsequent meeting.

On November 14, 2016, the ETP Conflicts Committee held an in-person meeting with Mr. Long, Mr. Wright, and Jason Healy, Associate General Counsel and Secretary of ETP, as well as representatives of Barclays, Potter Anderson and Latham, to discuss SXL s management presentation and financial projections. The participants agreed that

representatives of Barclays would meet with representatives of Citi to discuss in greater detail SXL s and ETP s financial projections and the assumptions used to calculate the financial projections.

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Through the course of several meetings on November 15 and 16, 2016, Barclays engaged in a series of diligence discussions with ETP management and representatives of SXL management and Citi.

On November 15, 2016, the ETP Conflicts Committee held a series of in-person meetings with Barclays and Potter Anderson to discuss the financial analysis being performed by Barclays with respect to the proposed transaction and the ETP and SXL financial projections. During these meetings, the ETP Conflicts Committee discussed, among other things, the projected cash distribution coverage ratio shortfalls that would result if ETP were to continue to make quarterly cash distributions at the current distribution level as well as ETP s possible efforts and alternatives to address those projected shortfalls. As a result of those discussions, the ETP Conflicts Committee questioned whether ETP could sustain its current level of cash distributions per common unit during the periods covered by the ETP projections, and also questioned whether ETE s ability to provide additional ETP incentive distribution subsidies would be significantly constrained by, among other things, ETE s credit metrics. Accordingly, the ETP Conflicts Committee determined that further input from ETP and ETE management was necessary in order for the ETP Conflicts Committee to assess any merger proposal.

On November 16, 2016, the ETP Conflicts Committee held a meeting with representatives from Potter Anderson and Barclays during which Barclays previewed preliminary merger consequences analyses in respect of the proposed transaction in anticipation of a proposal from SXL, including a review of the ETP distribution cut scenarios.

From November 14, 2016 to November 16, 2016, the SXL Conflicts Committee held a series of in-person meetings each day, together with its legal and financial advisors, to discuss and consider the proposed transaction, including discussions regarding (i) the potential benefits and considerations of making a proposal with respect to the proposed transaction, (ii) certain legal and financial matters regarding the proposed transaction, (iii) the terms of the merger agreement being prepared for the proposed transaction, and (iv) other related matters. The SXL Conflicts Committee also invited Messrs. Hennigan and Gvazdauskas, Kathleen Shea-Ballay, Senior Vice President, General Counsel and Secretary of SXL, and representatives of V&E to attend portions of its meetings to solicit management s views on the effect of possible terms of the proposed transaction on SXL s operations, including growth plans. Following such discussions, the SXL Conflicts Committee determined that it was in the best interests of SXL and its common unitholders that are not affiliated with ETP, ETE and their affiliates to make a proposal regarding the proposed transaction to the ETP Conflicts Committee. The SXL Conflicts Committee then determined to propose that SXL acquire ETP (the SXL Initial Proposal) in a transaction in which (i) ETP common unitholders would receive a number of SXL common units at an exchange ratio reflecting a 5.0% discount to the spot trading price for the ETP common units, (ii) all non-affiliated holders of SXL common units would receive a one-time special distribution of $2.00 per SXL common unit prior to the closing of the merger, which would be funded through borrowings under SXL s credit facility, (iii) in addition to any required ETP approvals, the transaction would be conditioned on obtaining the approval of holders of a majority of outstanding SXL common units, (iv) ETE would approve additional SXL incentive distribution subsidies in the amount of $125.0 million per quarter for the first four quarters following the closing of the merger and $40.0 million per quarter for the fifth through twelfth quarters following the closing of the merger and (v) all existing ETP incentive distribution subsidies and SXL incentive distribution subsidies currently in place would remain in place following the closing of the merger.

On November 16, 2016, the SXL Conflicts Committee and the ETP Conflicts Committee held an in-person meeting during which the SXL Conflicts Committee delivered the SXL Initial Proposal to the ETP Conflicts Committee.

On November 16, 2016, the ETP Conflicts Committee shared the terms of the SXL Initial Proposal with Potter Anderson, Barclays, ETP management and Latham. The ETP Conflicts Committee held various in-person meetings with Barclays, Potter Anderson and Mr. Long to discuss the SXL Initial Proposal. The ETP Conflicts Committee sought guidance from Mr. Long regarding the willingness of ETE to maintain the ETP incentive distribution subsidies

(in addition to the existing SXL incentive distribution subsidies) in the combined company,

and ETE s willingness to provide additional incentive distribution subsidies to the combined company. The ETP Conflicts Committee also reiterated its need for formal guidance from ETP management regarding the ability of ETP to maintain its projected distributions per common unit (and the related coverage shortfalls), and the likely approach to be taken by ETP management to resolve such shortfalls.

Mr. Long also had an initial telephonic discussion with Mr. Warren regarding the incentive distribution subsidies contemplated by the SXL proposal, and Mr. Warren informed Mr. Long that ETE would be unwilling to continue the existing ETP incentive distribution subsidies provided for in the ETP Partnership Agreement or provide any additional SXL incentive distribution subsidies over and above existing levels in the current SXL partnership agreement.

On November 17, 2016, V&E sent an initial draft of the merger agreement (which did not address the economic terms of the merger) to Latham, Potter Anderson, ETP and ETE. Consistent with the SXL Initial Proposal, the draft merger agreement included a requirement that holders of a majority of outstanding SXL common units vote to approve the transaction. The draft merger agreement also contained a no shop covenant that would permit the ETP Board to change its recommendation to the ETP unitholders that they vote in favor of the merger only upon changed circumstances and would not allow the ETP Board to respond to any inquiries from third parties regarding an alternative transaction.

On November 17, 2016, representatives of Latham and Potter Anderson met in person to discuss issues identified in the initial draft of the merger agreement and related matters.

On November 17 through November 18, 2016, representatives of Latham held various in-person meetings with Messrs. Mason, Wright and Healy to discuss issues identified in SXL s initial draft of the merger agreement. The key issues discussed included (i) the no shop covenant, (ii) the requirement that holders of a majority of outstanding SXL common units vote to approve the transaction, (iii) the restrictions on ETP s and SXL s ability to engage in certain business activities after the execution of the merger agreement and prior to closing, (iv) the representations and warranties given by ETP and SXL and (v) the remedies and termination provisions.

On November 17, 2016, the ETP Conflicts Committee held a series of meetings with Barclays and Potter Anderson, and with Messrs. Long and Mason, to discuss the SXL Initial Proposal. At one of the meetings on November 17, 2016, Messrs. Long and Mason reported to the ETP Conflicts Committee that ETE had determined it would be willing to maintain all existing ETP incentive distribution subsidies and SXL incentive distribution subsidies following the closing of the merger. Messrs. Long and Mason, however, reiterated that ETE would not be willing to approve additional SXL incentive distribution subsidies. Also during these meetings, among other matters discussed, the participants discussed the unsustainability of ETP s current level of cash distributions per common unit for 2017, 2018 and 2019, with the understanding that, absent a merger transaction, ETP would likely need to reduce distributions per common unit in order to reduce its leverage ratios and increase its cash distribution coverage ratios to levels that would support the longer term financial health and future cash distribution growth potential at ETP. The ETP Conflicts Committee and Barclays requested formal guidance from ETP management respecting the likelihood and range of future distribution cuts by ETP.

On November 17, 2016, Barclays held several discussions with ETP management and representatives of SXL and Citi regarding synergies and other efficiencies that could be achieved in connection with a combination of ETP and SXL.

On November 18, 2016, the ETP Conflicts Committee held a series of meetings with representatives from Barclays and Potter Anderson to further discuss the merits of the SXL Initial Proposal and possible responses thereto. During one of these meetings, Messrs. Long and Mason reported to Barclays and the ETP Conflicts Committee that it was ETP management s belief that it is likely that ETP would need to reduce its quarterly distributions by 15% to 25%

from the current distribution levels for 2017, 2018 and 2019, and that assuming

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reductions in this range, ETE would likely seek to renegotiate the ETP incentive distribution subsidies currently in effect for 2017, 2018 and 2019 in order for ETE to satisfy the leverage ratio covenants in ETE s existing debt agreements (it being understood that ETP has no obligation to renegotiate such incentive distribution subsidies). Also after further inquiry from the ETP Conflicts Committee, representatives of ETE and ETP management again reiterated that ETE would not be willing to approve additional incentive distribution subsidies. The ETP Conflicts Committee and its advisors also discussed the recent fluctuations in the market price of SXL common units and ETP common units, and the impact on the premium or discount reflected in various possible exchange ratios, particularly with respect to a premium or discount determined by reference to the spot trading price. Following such discussions, the ETP Conflicts Committee determined to deliver to the SXL Conflicts Committee a counterproposal (the ETP Counterproposal), pursuant to which (i) ETP common unitholders would receive SXL common units at an exchange ratio that would equal a 10% premium to the spot trading price for the ETP common units, (ii) SXL would not make a one-time special cash distribution to the SXL unitholders prior to the closing of the transaction, (iii) no SXL unitholder vote would be required to approve the transaction and (iv) all existing ETP incentive distribution subsidies and SXL incentive distribution subsidies would remain in place following the closing of the merger. Mr. Grimm delivered the ETP Counterproposal to the SXL Conflicts Committee on November 18, 2016.

On November 18, 2016, the SXL Conflicts Committee met in person, together with its legal and financial advisors, to discuss possible responses to and related matters regarding the ETP Counterproposal. Following discussion, the SXL Conflicts Committee determined to propose (the SXL Revised Proposal) that ETP common unitholders would receive 1.475 SXL common units for each ETP common unit and that all ETP incentive distribution subsidies and SXL incentive distribution subsidies would remain in place following the closing of the merger.

On the evening of November 18, 2016, Mr. Anderson, the chairman of the SXL Conflicts Committee, held a telephone call with Mr. Skidmore during which he conveyed the SXL Revised Proposal.

On November 19, 2016, the ETP Conflicts Committee held a telephonic meeting with representatives of Barclays and Potter Anderson to discuss the SXL Revised Proposal and possible responses thereto. At this meeting, Barclays discussed its analysis regarding the range of exchange ratios that may be appropriate given the anticipated status quo of ETP in the absence of the proposed transaction and the effect on ETP, SXL, and ETE. The ETP Conflicts Committee also discussed the impact of recent trading prices on the premiums reflected in possible exchange ratios. Following discussion, the ETP Conflicts Committee determined to propose that ETP common unitholders would receive 1.50 SXL common units for each ETP common unit (the ETP Revised Counterproposal), and Mr. Skidmore conveyed the ETP Revised Counterproposal to Mr. Anderson shortly after the meeting.

On November 19, 2016, representatives of Latham and Potter Anderson held a telephonic meeting to discuss issues regarding the draft merger agreement.

On November 19, 2016, the SXL Conflicts Committee held a series of in-person meetings, together with its legal and financial advisors, to discuss possible responses to and related matters regarding the ETP Revised Counterproposal. Following discussion, the SXL Conflicts Committee determined that it would reiterate its proposal that SXL would acquire ETP at a 1.475 exchange ratio.

On November 19, 2016, Mr. Anderson conveyed to Mr. Skidmore that the SXL Conflicts Committee rejected the ETP Revised Counterproposal and reiterated its proposal that SXL would acquire ETP at a 1.475 exchange ratio.

On November 19, 2016, the ETP Conflicts Committee held a telephonic meeting with representatives of Barclays and Potter Anderson to discuss SXL s response to the ETP Revised Counterproposal. During this meeting, the ETP Conflicts Committee also discussed with its advisors a list of merger agreement issues that

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Latham had provided to Potter Anderson, as well as a written statement from ETP management regarding the likelihood of future distribution cuts by ETP. Following discussion, the ETP Conflicts Committee determined to reject the SXL Conflicts Committee s proposal of a 1.475 exchange ratio and to reiterate its proposal of a 1.500 exchange ratio. Following this meeting, Mr. Skidmore communicated such proposal to Mr. Anderson.

On November 19, 2016, the SXL Conflicts Committee held another in-person meeting, together with its legal and financial advisors, to discuss possible responses to and related matters regarding ETP s proposal of a 1.500 exchange ratio. Following discussion, the SXL Conflicts Committee determined that it would accept the proposed 1.500 exchange ratio, subject to final documentation of the transaction prior to opening of the market on Monday, November 21, 2016.

On November 19, 2016, Mr. Anderson conveyed to Mr. Skidmore the SXL Conflicts Committee s acceptance of the proposed 1.500 exchange ratio, subject to final documentation of the transaction prior to opening of the market on Monday, November 21, 2016.

On November 19, 2016, the ETP Conflicts Committee held a telephonic meeting with representatives of Barclays and Potter Anderson to discuss SXL s response to the ETP Revised Counterproposal, and determined to accept such terms.

On November 19, 2016, Latham sent a revised draft of the merger agreement to V&E, RLF, SXL, ETP, ETE and Potter Anderson. Consistent with the ETP Revised Counterproposal, the draft merger agreement provided for an exchange ratio of 1.500 SXL common units per ETP common unit.

On November 19, 2016, representatives of Latham, V&E, ETP, Potter Anderson and RLF held a telephonic meeting to discuss issues regarding the revised merger agreement, including the revised no shop covenant, which would allow the ETP Board to respond to inquiries from third parties regarding an alternative transaction, and the remedies and termination provisions.

On November 20, 2016, V&E provided additional comments to the merger agreement to Latham, including a proposed termination fee in the amount of 3.5% of the ETP equity value in the event the merger agreement was terminated under certain circumstances. Thereafter, Latham sent a revised draft of the merger agreement to V&E, RLF, SXL, ETP, ETE and Potter Anderson.

On November 20, 2016, the ETP Conflicts Committee held a telephonic meeting with representatives from Potter Anderson and Barclays. During the meeting, Barclays presented the ETP Conflicts Committee with its financial analysis of the terms agreed to in the proposed transaction, and Potter Anderson discussed certain material terms of the merger agreement and the SXL partnership agreement.

On November 20, 2016, Potter Anderson provided comments to the merger agreement and the SXL partnership agreement to Latham.

On November 20, 2016, the ETP Conflicts Committee held a telephonic meeting with Barclays, Potter Anderson, Latham and Mr. Whitehurst to consider and discuss the proposed transaction. Representatives of Latham summarized the terms of the merger agreement and the SXL partnership agreement for the ETP Conflicts Committee and its advisors.

On November 20, 2016, ETP management finalized its written statement regarding the likelihood of distribution cuts by ETP and provided the statement to Potter Anderson and Barclays. The ETP Conflicts Committee then reconvened its meeting with Barclays and Potter Anderson, during which (i) Barclays presented the ETP Conflicts Committee

with its financial analysis of the terms agreed to in the proposed transaction, (ii) Potter Anderson discussed certain terms related to the merger agreement and the SXL partnership agreement, and

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(iii) the ETP Conflicts Committee discussed and considered factors that supported approving the proposed transaction and factors that did not support approving the proposed transaction. Upon the request of the ETP Conflicts Committee, Barclays delivered an oral fairness opinion as of November 20, 2016, which was subsequently confirmed by delivery of a written opinion dated as of such date, to the effect that the Exchange Ratio (as defined in the merger agreement) to be offered to the unaffiliated ETP unitholders was fair, from a financial point of view, to such unaffiliated ETP unitholders. Following such discussion and receipt of the Barclays fairness opinion, the ETP Conflicts Committee unanimously (i) determined in good faith that the proposed transaction, including the merger agreement and the transactions contemplated thereby, on the terms set forth in the merger agreement and the form of the SXL partnership agreement attached thereto, were advisable and fair and reasonable to, and in the best interests of ETP and the unaffiliated ETP unitholders, (ii) approved the proposed transaction (including the merger agreement) upon the terms and conditions set forth in the merger agreement and the SXL partnership agreement, and (iii) recommended that the ETP Board approve the merger agreement (including the consummation of the transactions contemplated thereby) and the proposed transaction, submit the merger agreement to the limited partners of ETP for approval and cause ETP to enter into the merger agreement and consummate the proposed transaction upon the terms and conditions set forth in the merger agreement and the SXL partnership agreement (subject to obtaining the requisite approval of limited partners of ETP).

On November 20, 2016, the ETP Board held a joint board meeting with the ETE Board, at which representatives from ETE management, ETP management and Latham attended as guests. All members of the ETP Board and ETE Board were present other than Marshall S. McCrea (member of the ETP Board and the ETE Board) and James R. Perry (member of the ETP Board). Representatives of Latham summarized the terms of the merger agreement for the ETP Board and the ETE Board. The ETP Conflicts Committee then advised the ETP Board that it had approved the merger agreement and recommended that the ETP Board approve the merger agreement and submit the merger agreement to ETP s limited partners for approval. Following this recommendation, and after a discussion of various financial, legal and other considerations relating to the proposed transaction, including factors that supported approving the proposed transaction and factors that did not support approving the proposed transaction, the ETP Board determined that it was in the best interests of ETP GP and its partners and ETP and its partners, and declared it advisable, for ETP GP and ETP to enter into the merger agreement, and the ETP Board approved and adopted the merger agreement and the transactions contemplated thereby, including the merger. Thereafter, the ETE Board determined that it was in the best interests of ETE and its partners, and declared it advisable, for ETE to enter into the merger agreement, and the ETE Board approved and adopted the merger agreement and the transactions contemplated thereby.

On November 20, 2016, the SXL Conflicts Committee held a meeting, together with its legal and financial advisors, to discuss the proposed transaction. At this meeting, among other matters, RLF reviewed with the SXL Conflicts Committee the terms of the merger agreement and Citi discussed with the SXL Conflicts Committee Citi s financial perspectives regarding the Exchange Ratio. Following a discussion regarding the proposed transaction, the merger agreement, the SXL partnership agreement and related matters, the SXL Conflicts Committee approved, and recommended that the SXL Board approve, the proposed transaction, including the merger agreement and the SXL partnership agreement. The SXL Conflicts Committee then advised the SXL Board that it had approved the merger agreement and recommended that the SXL Board approve the merger agreement. Following this recommendation, and after discussion with the SXL Conflicts Committee members regarding the SXL Conflicts Committee s process and rationale for its recommendation, and discussion with the SXL Board s advisors, the SXL Board approved the proposed transaction, including the merger agreement and the SXL partnership agreement.

On November 20, 2016, the parties finalized and executed the merger agreement.

On November 21, 2016, prior to the opening of trading on the NYSE, the parties issued a press release announcing the transaction.

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From November 22, 2016 to December 8, 2016, ETP, SXL, Latham, V&E, Potter Anderson and RLF had various discussions regarding alternative structures for the proposed transaction, and in particular, the structure of the GP merger.

On December 9, 2016, V&E sent an initial draft of the amendment to the merger agreement (the Amendment) to Latham, ETP and ETE reflecting a change in the merger structure, whereby SXL GP would merge with ETP GP, with ETP GP surviving the GP merger as an indirect wholly owned subsidiary of ETE and the general partner of SXL.

On December 12, 2016, representatives of Latham and Potter Anderson held a telephonic meeting to discuss issues identified in the initial draft of the Amendment.

On December 13, 2016, Latham sent a revised draft of the Amendment to V&E and SXL.

On December 14, 2016, V&E sent a revised draft of the Amendment to Latham, ETP, ETE and Potter Anderson, which was in near final form. Representatives of Latham, Potter Anderson and V&E held various telephonic meetings to discuss and finalize the Amendment.

On December 15, 2016, the ETP Conflicts Committee held a meeting with Potter Anderson, during which Potter Anderson discussed certain terms related to the Amendment, and, following such discussion, the ETP Conflicts Committee unanimously (i) determined in good faith that the Amendment was advisable and fair and reasonable to, and in the best interests of ETP and the unaffiliated ETP unitholders, (ii) approved the Amendment upon the terms and conditions set forth therein, and (iii) recommended that the ETP Board approve the Amendment and cause ETP to enter into the Amendment.

On December 16, 2016, the SXL Conflicts Committee held a meeting, together with its legal and financial advisors, to discuss the Amendment. Following discussion, the SXL Conflicts Committee approved, and recommended that the SXL Board approve, the Amendment. The SXL Conflicts Committee then advised the SXL Board that it had approved the Amendment and recommended that the SXL Board approve the Amendment.

On December 16, 2016, the ETP Board executed a unanimous written consent whereby the ETP Board determined in good faith that it was in the best interests of ETP GP and its partners and ETP and the unaffiliated ETP unitholders, and declared it advisable, for ETP GP and ETP to enter into the Amendment, and the ETP Board approved and adopted the Amendment.

On December 16, 2016, the ETE Board executed a unanimous written consent whereby the ETE Board determined that it was in the best interest of ETE and its partners, and declared it advisable, for ETE to enter into the Amendment, and the ETE Board approved and adopted the Amendment.

On December 16, 2016, the SXL Board executed a unanimous written consent whereby the SXL Board approved and adopted the Amendment.

Recommendation of the ETP Board; Reasons for the Merger

The ETP Conflicts Committee consists of two independent directors, Michael K. Grimm and David K. Skidmore, neither of whom are officers or controlling unitholders of ETP or its affiliates. The ETP Board authorized the ETP Conflicts Committee to (i) review and evaluate any potential conflicts arising in connection with the merger or other related arrangements and agreements, (ii) review, evaluate and negotiate with SXL the terms and conditions of the merger, together with the form, terms and provisions of the merger agreement, on behalf of ETP and the unaffiliated

ETP unitholders, (iii) determine whether the merger and related arrangements are advisable and fair and reasonable to, and in the best interests of, ETP and the unaffiliated ETP unitholders, (iv) determine whether or not to approve, and to recommend that the ETP Board approve, the merger agreement and related arrangements, with any such approval and related recommendation of the ETP Conflicts Committee constituting Special Approval (as defined in the ETP partnership agreement and in the Fourth Amended and Restated Limited Liability Company Agreement of ETP GP LLC) of the merger.

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The ETP Conflicts Committee retained and was advised by Potter Anderson & Corroon LLP as its outside legal counsel and Barclays as its financial advisor. The ETP Conflicts Committee oversaw the performance of financial and legal due diligence by its advisors, conducted an extensive review and evaluation of SXL s proposal and maintaining the status quo, and conducted, with the assistance of its advisors, extensive negotiations with SXL and its representatives with respect to SXL s proposal, the merger agreement and other related agreements. ETP retained Latham & Watkins LLP as its outside legal counsel.

The ETP Conflicts Committee, by unanimous vote at a meeting held on November 20, 2016, (i) determined in good faith that the proposed merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair, and reasonable to, and in the best interests of, ETP and the unaffiliated ETP unitholders, (ii) approved the merger agreement and the transactions contemplated thereby upon the terms set forth in the merger agreement and the SXL partnership agreement, (iii) recommended that the ETP Board approve the merger agreement and the transactions contemplated thereby, submit the merger agreement to the limited partners of ETP for approval and cause ETP to enter into the merger agreement and consummate the merger upon the terms and conditions set forth in the merger agreement and the SXL partnership agreement, subject to obtaining the requisite approval of the limited partners of ETP, with such approval and recommendation constituting Special Approval (as defined in the ETP partnership agreement and in the Fourth Amended and Restated Limited Liability Company Agreement of ETP GP LLC) of the merger agreement and the transactions contemplated thereby, including the merger.

The ETP Conflicts Committee, by unanimous vote at a meeting held on December 15, 2016, (i) determined in good faith that the amendment to the merger agreement is advisable and fair and reasonable to, and in the best interests of, ETP and the unaffiliated ETP unitholders, (ii) approved the amendment to the merger agreement and (iii) recommended that the ETP Board approve the amendment to the merger agreement and authorize the entry into the amendment to the merger agreement, with such approval and recommendation constituting Special Approval (as defined in the ETP partnership agreement and in the Fourth Amended and Restated Limited Liability Company Agreement of ETP GP LLC) of the amendment to the merger agreement.

Based on the ETP Conflicts Committee s recommendation, the ETP Board (with Marshall S. (Mackie) McCrea, III and James R. (Rick) Perry not in attendance), at a meeting held on November 20, 2016, (i) determined that the merger is in the best interests of ETP and the unaffiliated ETP unitholders, (ii) approved the merger, the merger agreement and the execution, delivery and performance of the merger agreement, (iii) directed that the merger agreement be submitted to a vote of the limited partners of ETP and (iv) resolved to recommend that the ETP common and Series A unitholders vote in favor of the adoption of the merger agreement and the transactions contemplated thereby.

Further, based on the ETP Conflicts Committee s recommendation, the ETP Board, by unanimous written consent dated December 16, 2016, (i) determined in good faith that the amendment to the merger agreement is in the best interests of ETP and the unaffiliated ETP unitholders and (ii) approved the amendment to the merger agreement and the execution, delivery and performance thereof.

The ETP Conflicts Committee and the ETP Board viewed the following factors as being generally positive or favorable in coming to their determinations and recommendation with respect to the merger:

The financial terms offered to the holders of ETP common units, including:

The consideration to be paid to holders of ETP common units, 1.5 SXL common units for each ETP common unit, represents:

- a 9.85% premium to the 30-day volume-weighted average closing price (VWAP) for the period ended on November 18, 2016 (the last trading day before the announcement of the merger agreement);

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a 6.59% premium to the 20-day VWAP for the period ended on November 18, 2016 (the last trading day before the announcement of the merger agreement);

a 6.33% premium to the 10-day VWAP for the period ended on November 18, 2016 (the last trading day before the announcement of the merger agreement);

a 5.10% premium to the 5-day VWAP for the period ended on November 18, 2016 (the last trading day before the announcement of the merger agreement); and

a 6.80% premium to the closing price on November 16, 2016, the date of SXL s initial proposal.

The fact that the exchange ratio is fixed and therefore the market value of the consideration payable to ETP common unitholders would increase in the event that the market price of SXL common units increases relative to any change in the market price of ETP common units prior to the closing of the mergers.

The fact that the merger consideration generally will not be taxable for U.S. federal income tax purposes to ETP s common unitholders.

Holders of ETP common units would be entitled to the right to receive SXL common units at the exchange ratio, which is a price the ETP Conflicts Committee viewed as fair and reasonable in light of ETP s recent and projected financial performance and recent trading prices of the ETP common units and in light of the strengths of the surviving entity and benefits to be received by the holders of ETP common units, including:

The likelihood that ETP would not be able to sustain quarterly distributions at current amounts per unit, taking into account ETP management s projections indicating increasing leverage, significant additional equity issuances, constrained cash flow, and a sub-1.0x distribution coverage ratio for the last two quarters of 2016 and for the years 2017 and 2018 at current distribution amounts.

The ETP Conflicts Committee s belief that the public trading price of the ETP common units may have been supported by the market s perception that ETP would be able to maintain current distribution levels.

The prospects that cash distributions with respect to ETP common units would likely be reduced in light of the ETP Management Written Statement (as more fully described in the section entitled Unaudited Financial Projections of ETP) to the effect that, if the merger is not consummated and ETE is unwilling or unable to provide additional incentive distribution subsidies, ETP management would likely consider a reduction in quarterly cash distributions in the range of 15% to 25% in order to reduce ETP s leverage ratios and increase its distribution coverage ratio to maintain its investment

grade rating, support its longer term financial health and promote its future cash distribution growth potential, and to the effect that, in the event of such reductions, ETP management believed that it was likely that ETE would seek to negotiate a reduction in the incentive distribution subsidies currently in effect in order to preserve ETE s existing credit ratings.

The opinion of Barclays, dated November 20, 2016, that based upon and subject to the factors and assumptions set forth in its opinion, the exchange ratio was fair to the unaffiliated ETP unitholders, from a financial point of view, including the various analyses undertaken by Barclays in connection with its opinion.

The expectation that the merger will be accretive to SXL s distributable cash flow per SXL common unit and distributable cash flow per SXL common unit, which will inure to the benefit of the current holders of ETP common units.

ETE s agreement to cause SXL GP to execute and deliver the SXL partnership agreement providing for, among other things, a reduction in distributions paid by SXL in respect of the incentive distribution rights in SXL in an amount equal to the amount of reductions in

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distributions paid by ETP in respect of the incentive distribution rights in ETP as set forth in the ETP partnership agreement.

ETP unitholders receipt of the equity ownership in an entity with a diversified platform of assets and substantially lower cost of capital, which is expected to provide greater ability to pursue accretive capital projects and acquisitions that would provide for higher distribution growth.

The expectation that, on a pro forma basis after giving effect to the merger, the pro forma entity will be the second largest midstream master limited partnership (MLP) in the United States as measured by enterprise value.

The expected benefits from the merger resulting from the increased size and scale of midstream assets across multiple basins, the addition of builds, a major presence in the Marcellus and Utica basins, an increased presence in the Permian and Eagle Ford basins, the prospects for an increased upside to ETP s intrastate gas system, the prospects for significant synergies for the combined company and the increased financial capacity to make additional accretive capital investments.

The expectation that the merger will create operating and regulatory efficiencies and cost savings in administrative and interest costs, tax savings, and other combined benefits.

SXL, as the combined entity, is expected to have a strong balance sheet and maintain an investment grade rating. SXL s balance sheet and lower cost of capital will allow ETP s unitholders to benefit from the investment grade rating of the combined entity.

The strength of ETP s and the ETP Conflicts Committee s negotiations and the value obtained therefrom, including:

The exchange ratio of 1.5 SXL common units for each ETP common unit represents an increase to the 1.334 ratio implied in SXL s initial proposal, which reflected a 5% discount to the spot trading price for ETP common units as of November 16, 2016.

In response to the SXL Conflicts Committee s reiteration of its proposed exchange ratio of 1.475 SXL common units for each ETP common unit, the ETP Conflicts Committee reiterated its proposed exchange ratio of 1.5 SXL common units for each ETP common unit, which the SXL Conflicts Committee ultimately accepted.

The conclusion reached by the ETP Conflicts Committee that the exchange ratio of 1.5 SXL common units for each ETP common unit was likely the highest price SXL was willing to pay at the time of the ETP Conflicts Committee s determination to approve and recommend to the ETP Board.

Though initially requested by the SXL Conflicts Committee, the final merger agreement does not require a vote of the SXL unitholders.

The SXL Conflicts Committee originally requested a special distribution of $2.00 per SXL common unit to the public, unaffiliated unitholders of SXL, which the ETP Conflicts Committee rejected.

The ETP Conflicts Committee s belief that any potential alternative transactions with third parties, simplification transactions, and incentive distribution right modification transactions were not achievable due to lack of support from ETE (and ETE s control of ETP GP and ETP GP LLC) and the ETP Conflicts Committee s consideration of maintaining the status quo and the potential impact maintaining the status quo would have on the ability of ETP to maintain its current distribution level.

The following procedural safeguards involved in the negotiation of the merger agreement:

The ETP Conflicts Committee consisted solely of directors who are not officers or controlling unitholders of ETE or its affiliates and who satisfied the requirements under the ETP partnership agreement for service on the ETP Conflicts Committee.

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The ETP Conflicts Committee was charged with evaluating and negotiating the terms and conditions of the proposed transaction on behalf of ETP and the unaffiliated ETP unitholders, with the power to decline to pursue a transaction, and that the ETP Board had resolved not to approve a proposed transaction without the prior approval and recommendation of the ETP Conflicts Committee.

Other than with respect to any awards under the ETP equity plans or the ETP cash unit plan described below at Interests of Directors and Executive Officers of ETP in the Merger Treatment of ETP Equity-Based Awards, the members of the ETP Conflicts Committee will not personally benefit from the completion of the merger in a manner different from the unaffiliated ETP unitholders.

The members of the ETP Conflicts Committee were appropriately compensated for their services and their compensation was in no way contingent on their approving the merger agreement or the merger.

The terms and conditions of the merger agreement and the merger were determined through arms -length negotiations between the ETP Conflicts Committee and the SXL Conflicts Committee, with the assistance of their respective representatives and advisors.

The ETP Conflicts Committee retained and was advised by experienced and qualified advisors, consisting of legal counsel, Potter Anderson & Corroon LLP, and financial advisor, Barclays.

The terms of the merger agreement, principally:

Holders of ETP common units will receive the right to receive 1.5 SXL common units for each ETP common unit and holders of Series A units will receive the right to receive one SXL preferred unit, which will constitute a share of a new class of units in SXL containing provisions substantially equivalent to the provisions set forth in the ETP partnership agreement relating to the Series A units without abridgement.

The requirement that the merger agreement and the merger be approved by a vote of the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, and the requirement that ETE vote or cause to be voted all ETP common units and Series A units then owned beneficially or of record by it or any of its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof.

The provisions allowing the ETP Conflicts Committee and the ETP Board to withdraw or change their recommendation of the merger agreement in the event of a superior proposal from a third party (other than ETE or its affiliates) or a change of circumstance if the ETP Board (upon the recommendation of the ETP Conflicts Committee) makes a good faith determination that the failure to change its recommendation would be inconsistent with its duties under the ETP partnership agreement or applicable law and complies with the terms of the merger agreement.

The provisions allowing ETP to provide information to, and participate in discussions and negotiations with, a third party (other than ETE or its affiliates) in response to an unsolicited alternative proposal, which may, in certain circumstances, result in a superior proposal.

The operating covenants to which SXL is subject provide protection to ETP unitholders by restricting SXL s ability to take certain actions prior to the closing of the merger that could reduce the value of SXL common units received by ETP unitholders in the merger.

The limited conditions and exceptions to the closing conditions.

Under the terms of the merger agreement, prior to the effective time of the merger, ETP is prohibited from revoking or diminishing the authority of the ETP Conflicts Committee.

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Any amendments to the merger agreement require consultation with the ETP Conflicts Committee, and the ETP Conflicts Committee is permitted to rescind its approval of the merger agreement, with such rescission resulting in the rescission of Special Approval (as defined in the ETP partnership agreement and in the Fourth Amended and Restated Limited Liability Company Agreement of ETP GP LLC), if the ETP Board takes or authorizes any amendment that is counter to any recommendation by the ETP Conflicts Committee.

If the ETP Board (i) waives any inaccuracies in the representations and warranties of the other party under the merger agreement, (ii) extends time for performance of the other party s obligations under the merger agreement, (iii) waives the other party s compliance with any agreement or condition contained in the merger agreement, or (iv) otherwise grants any consent under the merger agreement without the concurrence of the ETP Conflicts Committee, then the ETP Conflicts Committee can rescind its approval of the merger agreement, with such rescission resulting in the rescission of Special Approval (as defined in the ETP partnership agreement and in the Fourth Amended and Restated Limited Liability Company Agreement of ETP GP LLC).

The ETP Conflicts Committee and the ETP Board considered the following additional factors in making their determinations and recommendation with respect to the merger:

There are certain potential negative consequences that may affect ETP unitholders, including the following:

The consideration to be paid to holders of ETP common units, 1.5 SXL common units for each ETP common unit, represents a 0.22% discount to the closing price of ETP common units on November 18, 2016.

The fact that ETP unitholders will receive 1.5 SXL common units for each ETP common unit and that it is expected that the cash distributions per 1.5 SXL common units will initially be less than the current distributions on 1.0 ETP common unit.

The fact that the exchange ratio is fixed and therefore the market value of the consideration payable to ETP common unitholders would decrease in the event that the market price of SXL common units decreases relative to any change in the market price of ETP common units prior to the closing of the merger.

The absence of certain procedural safeguards, including:

The fact that the ETP unitholders are not entitled to appraisal rights under the merger agreement, the ETP partnership agreement or Delaware law.

The ETP Conflicts Committee was not authorized to, and did not, conduct an auction process or other solicitation of interest from third parties for the acquisition of ETP. Given ETE s control over ETP s general partner, it was unrealistic to expect or pursue an unsolicited third party acquisition proposal or offer for the assets or control of ETP, and it was unlikely that the ETP Conflicts Committee could conduct a meaningful auction for the acquisition of the assets or control of ETP.

Certain members of ETP management and the ETP Board may have interests that are different from those of the unaffiliated ETP unitholders. Please read Interests of Directors and Executive Officers of ETP in the Merger.

Although the merger is subject to approval by a majority of the ETP common units and Series A units, voting together as a single class, the vote includes ETP units held by ETE and its affiliates, and there is no requirement of a separate approval by the unaffiliated ETP unitholders.

Certain terms of the merger agreement, principally:

The provisions limiting the ability of ETP to solicit, or to consider unsolicited, offers from third parties for ETP.

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The provisions obligating ETP to hold a special meeting of unitholders to vote on the merger even if the ETP Conflicts Committee changes its recommendation.

Certain break-up fees payable by ETP, including in connection with termination of the merger agreement as a result of a superior proposal for ETP.

ETP s obligation to pay SXL s expenses in certain circumstances.

Litigation may occur in connection with the merger and any such litigation may result in significant costs and a diversion of management focus.

There is risk that the merger might not be completed in a timely manner, or that the merger might not be consummated at all as a result of a failure to satisfy the conditions contained in the merger agreement, and a failure to complete the merger could negatively affect the trading price of the ETP common units or could result in significant costs and disruption to ETP s normal business.

The foregoing discussion is not intended to be exhaustive, but is intended to address the material information and principal factors considered by the ETP Conflicts Committee and the ETP Board in considering the merger. In view of the number and variety of factors and the amount of information considered, the ETP Conflicts Committee and the ETP Board did not find it practicable to, and did not make specific assessments of, quantify or otherwise assign relative weights to, the specific factors considered in reaching its determination. In addition, the ETP Conflicts Committee and the ETP Board did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of the ETP Conflicts Committee and the ETP Board may have given different weights to different factors. The ETP Conflicts Committee and the ETP Board made their recommendations based on the totality of information presented to, and the investigation conducted by, the ETP Conflicts Committee and the ETP Board. It should be noted that certain statements and other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Regarding Forward-Looking Statements.

The ETP Board recommends that ETP common and Series A unitholders vote FOR the adoption of the merger agreement and the transactions contemplated thereby, and FOR the proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the merger agreement at the time of the special meeting.

Opinion of the Financial Advisor to the ETP Conflicts Committee

The ETP Conflicts Committee engaged Barclays to act as the ETP Conflicts Committee s financial advisor with respect to the proposed transaction. On November 20, 2016, Barclays rendered its oral opinion (which was subsequently confirmed in writing) to the ETP Conflicts Committee that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the exchange ratio to be offered to the unaffiliated ETP unitholders in the proposed transaction is fair, from a financial point of view, to such unaffiliated ETP unitholders.

The full text of Barclays written opinion, dated as of November 20, 2016, is attached to this proxy statement/prospectus as Annex B. Barclays written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The following is a summary of Barclays opinion and the methodology that Barclays used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

Barclays opinion, the issuance of which was approved by Barclays Valuation and Fairness Opinion Committee, is addressed to the ETP Conflicts Committee, addresses only the fairness to unaffiliated ETP unitholders, from a financial point of view, of the exchange ratio to be offered to such unaffiliated ETP

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unitholders in the proposed transaction and does not constitute a recommendation to any unaffiliated ETP unitholder as to how such unaffiliated ETP unitholder should vote or act with respect to the proposed transaction or any other matter. The terms of the proposed transaction were determined through arm s-length negotiations between the ETP Conflicts Committee and the SXL Conflicts Committee and were approved unanimously by the ETP Conflicts Committee. Barclays did not recommend that any specific form of consideration should be offered to unaffiliated ETP unitholders or that any specific form of consideration constituted the only appropriate consideration for the proposed transaction. Barclays was not requested to address, and its opinion does not in any manner address, the underlying business decision to proceed with or effect the transaction or the likelihood of consummation of the transaction or the relative merits of the proposed transaction as compared to any other transaction or business strategy in which ETP might engage. In addition, Barclays expressed no view as to, and its opinion does not in any manner address, the fairness of the amount or the nature of (i) any compensation to any officers, directors or employees of any parties to the proposed transaction, or any class of such persons, relative to the exchange ratio in the proposed transaction or otherwise; (ii) the fairness of any portion or aspect of the proposed transaction to the holders of any class of securities, creditors or other constituencies of ETP or any other person, or to any other person, other than the fairness, from a financial point of view, of the exchange ratio to be offered to the unaffiliated ETP unitholders; or (iii) any portion or aspect of the proposed transaction to any one class or group of ETP s or any other person s equity security holders vis a vis any other class or group of ETP s security holders or any other person s security holders (including, without limitation, the allocation of any consideration amongst or within such classes or groups of security holders). No limitations were imposed by ETP or the ETP Conflicts Committee upon Barclays with respect to the investigations made or procedures followed by it in rendering its opinion.

In arriving at its opinion, Barclays reviewed and analyzed, among other things:

- a draft of the merger agreement, dated as of November 20, 2016, and the specific terms of the proposed transaction;

- publicly available information concerning ETP and SXL that Barclays believed to be relevant to its analysis, including each of ETP s and SXL s Annual Reports on Form 10-K for the fiscal year ended December 31, 2015 and Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2016, June 30, 2016 and September 30, 2016;

- financial and operating information with respect to the businesses, operations and prospects of ETP furnished to Barclays by ETP, including the ETP Unaudited Financial Projections (as defined in the section entitled Unaudited Financial Projections of ETP) (the ETP Projections);

- the ETP Management Written Statement (as more fully described in the section entitled Unaudited Financial Projections of ETP);

- ETP s expectations with respect to the potential impact of the proposed transaction on ETP s credit ratings;

financial and operating information with respect to the business, operations and prospects of SXL, initially prepared by management of SXL and furnished by SXL to the management of ETP (the SXL Projections and, together with the ETP Projections, the Projections);

a schedule of the incentive distribution subsidies provided by, and projected to be provided by, ETE to each of ETP and SXL and the expectation that following completion of the proposed transaction ETE will maintain such incentive distribution subsidies at the projected levels (the IDR Projected Subsidies);

a comparison of the trading histories of the ETP common units and the SXL common units with each other from May 18, 2016 to November 18, 2016;

a comparison of the historical financial results and present financial condition of each of ETP and SXL with those of other companies that Barclays deemed relevant;

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a comparison of the financial terms of the proposed transaction with the financial terms of certain other transactions that Barclays deemed relevant; and

certain estimates provided by ETP to Barclays as to the amounts and timing of the cost savings and revenue enhancements (collectively, the Expected Synergies) anticipated by the management of ETP to result from the proposed transaction.

In addition, Barclays had discussions with the managements of each of ETP and SXL concerning their respective businesses, operations, assets, liabilities, financial conditions and prospects and undertook such other studies, analyses and investigations as Barclays deemed appropriate.

In arriving at its opinion, Barclays assumed and relied upon the accuracy and completeness of the financial and other information used by Barclays without any independent verification of such information (and has not assumed responsibility or liability for any independent verification of such information). Barclays also relied upon the assurances of the management of ETP that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the ETP Projections, upon the advice of ETP, Barclays assumed that such ETP Projections were reasonably prepared on a basis reflecting the best then-available estimates and judgments of the management of ETP as to the future financial performance of ETP and that ETP will perform substantially in accordance with such ETP Projections, and Barclays considered and relied on such projections. With respect to the SXL Projections, upon the advice of ETP, Barclays assumed that such projections were reasonably prepared on a basis reflecting the best then-available estimates and judgments of the management of SXL, as confirmed to Barclays by the management of ETP, as to the future financial performance of SXL and that SXL will perform substantially in accordance with such SXL Projections, and Barclays considered and relied on such projections. With respect to the Expected Synergies, upon the advice of ETP, Barclays assumed that the amounts and timing of the Expected Synergies are reasonable and that the Expected Synergies will be realized in accordance with such estimates. In addition, upon the advice of ETP, Barclays assumed that the IDR Projected Subsidies were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of ETP, that, assuming the proposed transaction is consummated, the amounts and timing of the subsidies set forth in the IDR Projected Subsidies are reasonable, achievable and sustainable, and that such subsidies as set forth in the IDR Projected Subsidies will continue to inure to the benefit of each of ETP and SXL in the amounts and at the times contemplated by the IDR Projected Subsidies. Barclays assumed, upon the advice of ETP, that if the proposed transaction is not consummated, ETP would likely reduce the amount of its quarterly distributions to holders of ETP common units by 15% to 25% and that in light of the detrimental impact that such reduction would have on ETE s credit profile, ETE would likely seek to negotiate a reduction in the incentive distribution subsidies that currently inure to the benefit of ETP. In arriving at its opinion, Barclays assumed no responsibility for and expressed no view as to any of such projections or estimates or the assumptions on which they were based. In arriving at its opinion, Barclays did not conduct a physical inspection of the properties and facilities of ETP or SXL, and did not make or obtain any evaluations or appraisals of the assets or liabilities of ETP or SXL. Barclays opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, November 20, 2016. Barclays was not authorized to solicit, and Barclays did not solicit, any indications of interest from any third party with respect to the purchase of all or any part of ETP s business. Barclays assumed no responsibility for updating or revising its opinion based on events or circumstances that may have occurred after the delivery of its opinion to ETP on November 20, 2016. In addition, Barclays expressed no opinion as to the prices at which (i) ETP common units or SXL common units would trade following the announcement of the proposed transaction or (ii) SXL common units would trade following the consummation of the proposed transaction. Barclays opinion should not be viewed as providing any assurance that the market value of the SXL common units to be held by the unaffiliated ETP unitholders after the consummation of the proposed transaction will be in excess of the market value of the ETP common units owned by such unaffiliated ETP unitholders at any time prior to the announcement or consummation of

the proposed transaction.

Barclays assumed that the executed merger agreement will have conformed in all material respects to the last draft reviewed by Barclays. In addition, Barclays assumed the accuracy of the representations and warranties

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contained in the merger agreement and all agreements related thereto. Barclays also assumed, upon the advice of ETP, that all material governmental, regulatory and third party approvals, consents and releases for the proposed transaction will be obtained within the constraints contemplated by the merger agreement and that the proposed transaction will be consummated in accordance with the terms of the merger agreement without waiver, modification or amendment of any material term, condition or agreement thereof. Barclays did not express any opinion as to any tax or other consequences that might result from the proposed transaction, nor does Barclays opinion address any legal, tax, regulatory or accounting matters, as to which Barclays understood that ETP had obtained such advice as it deemed necessary from qualified professionals.

In connection with rendering its opinion, Barclays performed certain financial, comparative and other analyses as summarized below. In arriving at its opinion, Barclays did not ascribe a specific range of values to the ETP common units or the SXL common units but rather made its determination as to fairness, from a financial point of view, to unaffiliated ETP unitholders of the exchange ratio to be offered to such unaffiliated ETP unitholders in the proposed transaction on the basis of various financial and comparative analyses. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Barclays did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the particular transaction. Accordingly, Barclays believes that its analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion.

The following is a summary of the material financial analyses used by Barclays in preparing its opinion to the ETP Conflicts Committee. Certain financial, comparative and other analyses summarized below include information presented in tabular format. In order to fully understand the financial, comparative and other analyses used by Barclays, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. In performing its analyses, Barclays made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of ETP or any other parties to the proposed transaction. None of the ETP Conflicts Committee, ETP, SXL, ETE, Barclays or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of the businesses do not purport to be appraisals or reflect the prices at which the businesses may actually be sold.

Summary of Analyses

The following is a summary of the material financial analyses performed by Barclays with respect to ETP and SXL in preparing Barclays opinion:

- discounted distributable cash flows analysis;

selected comparable company analysis;

selected precedent transactions analysis; and

analysis of public third-party equity research analyst price targets of ETP and SXL.

Each of these methodologies was used to generate reference per unit equity value ranges for ETP common units and reference per unit equity value ranges for SXL common units. In order to derive implied per unit values in the selected precedent transactions analysis, the implied equity value range for ETP and SXL was then divided

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by an applicable estimate of the number of diluted units outstanding. For purposes of the ETP calculations, the number of diluted units outstanding at year end 2016, per the ETP Projections, was used to derive implied per unit values. The reference per unit equity value ranges were then also used to generate implied exchange ratios for each of these methodologies. For purposes of the SXL calculations, the number of units estimated to be outstanding at year end 2016, per the SXL Projections, was used to derive implied per unit values. For purposes of its analyses, Barclays looked at the exchange ratio of 1.5000x SXL common units for each ETP common unit to determine an implied equity value of $39.29 per ETP common unit for the proposed transaction based on the closing price of an SXL common unit at market close on November 18, 2016. For each of the discounted distributable cash flow analysis, the selected comparable company analysis, the selected precedent transactions analysis, and the analysis of public third-party equity research analyst price targets, the implied equity value ranges per ETP common unit and the implied exchange ratios were then compared to the exchange ratio of 1.5000x SXL common units for each ETP common unit in the proposed transaction.

In addition to analyzing the value of the ETP common units and the SXL common units, to provide additional background and perspective to the ETP Conflicts Committee, Barclays also analyzed and reviewed: (i) the daily historical closing prices of ETP common units and SXL common units and the exchange ratios implied by those closing unit prices for the period from May 18, 2016 to November 18, 2016; (ii) certain publicly available information related to selected MLP merger transactions to calculate the amount of premiums paid by the acquirers to the acquired company s unitholders; (iii) the pro forma impact of the proposed transaction on the current and future financial performance and credit profile of SXL, as the surviving entity, using projected estimates for 2017, 2018, and 2019 for distributable cash flow per unit and distributions per unit for the surviving entity based on the ETP Projections and the SXL Projections.

In particular, in applying the various valuation methodologies to the particular businesses, operations and prospects of ETP and SXL, and the particular circumstances of the proposed transaction, Barclays made qualitative judgments as to the significance and relevance of each analysis. In addition, Barclays made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of ETP and SXL. Such qualitative judgments and assumptions of Barclays were made following discussions with the managements of each of ETP and SXL. Accordingly, the methodologies and the implied common equity value ranges and implied exchange ratio ranges derived therefrom must be considered as a whole and in the context of the narrative description of the financial analyses, including the assumptions underlying these analyses. Considering the implied common equity value ranges or the implied exchange ratio ranges without considering the full narrative description of the financial analyses, including the assumptions underlying these analyses, could create a misleading or incomplete view of the process underlying, and conclusions represented by, Barclays opinion.

Discounted Distributable Cash Flow Analysis

In order to estimate the present values of ETP common units and SXL common units, Barclays performed discounted distributable cash flow analyses for each of ETP and SXL. A discounted cash flow analysis is a traditional valuation methodology used to derive an intrinsic valuation of an asset by calculating the present value of estimated future cash flows of the asset; in this case, the present value of the estimated future distributable cash flows of the ETP common units and the SXL common units. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future distributable cash flows by a range of discount rates that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns, the time value of money, and other appropriate factors. The discounted distributable cash flow analysis for the ETP common units was performed under two scenarios provided by the management of ETP, each of which are described below.

The first scenario considered status quo ETP utilizing the ETP Status Quo Case Projections (as defined in the section entitled Unaudited Financial Projections of ETP) which are derived from the ETP Projections from 2017 through 2019 (ETP Status Quo Case). The second scenario is based on the ETP Distribution Reduction

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Case Projections (as defined in the section entitled Unaudited Financial Projections of ETP) which are derived from the ETP Status Quo Case Projections but adjusted to reflect (i) a hypothetical reduction in distributions in respect of ETP common units by approximately 20% in 2017 and that thereafter distributions in respect of ETP common units are made on a basis that results in ETP maintaining a cash coverage ratio of 1.1x, and (ii) the hypothetical removal of a $465 million incentive distribution subsidy that was in place during 2017 (ETP Distribution Reduction Case). Cash Coverage refers to a ratio used to determine the amount of cash available to pay a unit s distribution expense, and is expressed as a ratio of the cash available to the distribution being paid.

To calculate the estimated per ETP common unit equity value ranges in the discounted distributable cash flow analysis, Barclays added (i) projected distributable cash flow per ETP common unit for fiscal years 2017 through 2019 based on the ETP Projections to (ii) the terminal value at the end of the forecast period, or the terminal value of the ETP common units, as of December 31, 2019, and discounted such distributable cash flows per ETP common unit to their net present value using selected discount rates for each of the ETP Status Quo Case and ETP Distribution Reduction Case. For each case, Barclays used a nominal discount rate range of 12.5% to 14.5%. This discount rate range was selected by Barclays using its professional judgment and experience, taking into account projected cost of equity capital rates for ETP and the comparable companies utilized in the Selected Comparable Companies Analysis described below. The terminal value of the ETP common units was estimated by applying a range of assumed yields of 8.0% to 10.0% in ETP Status Quo Case and a range of assumed yields of 7.5% to 9.5% in ETP Distribution Reduction Case to ETP s estimated distributable cash flow per ETP common unit for 2019 for ETP Status Quo Case and ETP Distribution Reduction Case, respectively. The assumed yields were selected based on Barclays professional judgment and experience, taking into account the yields of ETP and the selected comparable companies utilized in the Selected Comparable Companies Analysis described below. The reference equity value range per ETP common unit yielded by the ETP discounted distributable cash flow analysis implied an equity value range for the ETP common units of (i) $39.50 to $44.00 per ETP common unit based on ETP Status Quo Case; and (ii) $40.00 to $46.00 per ETP common unit based on ETP Distribution Reduction Case, in each case, as compared to the closing ETP common unit price of $39.37 on November 18, 2016.

To calculate the estimated per SXL common unit equity value ranges in the discounted distributable cash flow analysis for SXL, Barclays added (i) projected distributable cash flow per SXL common unit for fiscal years 2017 through 2019 based on the SXL Projections to (ii) the terminal value of the SXL common units, as of December 31, 2019, and discounted such distributable cash flows per SXL common unit to their net present value as of January 1, 2017 using a nominal discount rate range of 10.0% to 12.0%. This discount rate range was selected by Barclays using its professional judgment and experience, taking into account projected cost of equity capital rates for SXL and the selected comparable companies utilized in the Selected Comparable Companies Analysis described below. The terminal value of the SXL common units was estimated by applying a range of assumed yields of 7.5% to 9.5% to SXL s 2019 estimated distributable cash flow per SXL common unit. The assumed yields were selected based on Barclays professional judgment and experience, taking into account the yields of SXL and the selected comparable companies utilized in the Selected Comparable Companies Analysis described below. The reference equity value range for the SXL common units yielded by the SXL discounted distributable cash flow analysis implied an equity value range for SXL of $29.00 to $33.00 per SXL common unit, as compared to the closing SXL common unit price of $26.19 on November 18, 2016.

Using the implied reference equity value per unit ranges for each of the ETP common units and the SXL common units, Barclays derived reference implied exchange ratio ranges of (i) 1.1970x to 1.5172x based on ETP Status Quo Case without including Expected Synergies; (ii) 1.1695x to 1.4778x based on ETP Status Quo Case with Expected Synergies; (iii) 1.2121x to 1.5862x based on ETP Distribution Reduction Case without Expected Synergies; and (iv) 1.1843x to 1.5450x based on ETP Distribution Reduction Case with Expected Synergies.

Barclays noted that the exchange ratio of 1.5000x to be offered to unaffiliated ETP unitholders in the proposed transaction was in line with the implied equity value ranges per ETP common unit and the implied exchange ratio yielded by Barclays discounted distributable cash flow analysis.

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Selected Comparable Company Analysis

In order to assess how the public market values units of similar publicly traded MLPs, Barclays reviewed and compared specific financial and operating data relating to ETP and SXL to that of MLPs selected by Barclays based on Barclays experience with MLPs. None of the MLPs that were selected for such purpose were subsequently excluded in conducting this analysis.

The MLPs selected with respect to ETP were:

- Enbridge Energy Partners, LP;
- Enterprise Products Partners, LP;
- ONEOK Partners, LP;
- Plains All American Pipeline, LP; and
- Williams Partners, LP.

Barclays calculated and analyzed distributable cash flow per unit yields using published estimates by third party equity research analysts for estimated distributable cash flow per unit in 2017 and 2018 for each of the comparable companies selected and for ETP using the ETP Projections. The results of the ETP selected comparable company analysis are summarized below:

	Yield Range of Comparable MLPs of ETP		
Distributable Cash Flow per Unit Yield:	**Low**	**Median**	**High**
2017E Yield	7.9%	8.3%	11.7%
2018E Yield	8.2%	8.9%	12.2%

Barclays selected the comparable MLPs listed above because their business and operating profiles are reasonably similar to that of ETP. However, because of the inherent differences between the business, operations and prospects of ETP and those of the selected comparable companies, Barclays believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected comparable company analysis. Accordingly, Barclays also made certain qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of ETP and the selected comparable companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degrees of operational risk between ETP and the selected MLPs included in the selected comparable company analysis. The equity value range for the ETP common units yielded by the ETP selected comparable company analysis implied a reference equity value range for ETP of $37.00 to $45.00 per ETP common unit.

The MLPs selected with respect to SXL were:

Buckeye Partners, LP;

Enterprise Products Partners, LP;

Magellan Midstream Partners, LP;

MPLX, LP; and

Plains All American Pipeline, LP.

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Barclays calculated and analyzed distributable cash flow per unit yields using published estimates by third party equity research analysts for estimated distributable cash flow per unit in 2017 and 2018 for each of the comparable companies selected and for SXL using the SXL Projections. The results of the SXL selected comparable company analysis are summarized below:

	Yield Range of Comparable MLPs of SXL		
Distributable Cash Flow per Unit Yield:	**Low**	**Median**	**High**
2017E Yield	6.6%	7.9%	8.6%
2018E Yield	6.8%	8.4%	9.1%

Barclays selected the comparable MLPs listed above because their business and operating profiles are reasonably similar to that of SXL. However, because of the inherent differences between the business, operations and prospects of SXL and those of the selected comparable companies, Barclays believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected comparable company analysis. Accordingly, Barclays also made certain qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of SXL and the selected comparable companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degrees of operational risk between SXL and the selected MLPs included in the selected comparable company analysis. The equity value range for the SXL common units yielded by the SXL comparable company analysis implied a reference equity value range for SXL of $26.00 to $33.00 per SXL common unit.

Using the implied reference equity value per unit ranges for each of ETP and SXL, Barclays derived a reference implied exchange ratio range of 1.1212x to 1.7308x without Expected Synergies, and 1.0955x to 1.6870x with Expected Synergies.

Barclays noted that the exchange ratio of 1.5000x to be offered to unaffiliated ETP unitholders in the proposed transaction was in line with the implied equity value range per ETP common unit and the implied exchange ratio range yielded by Barclays selected comparable companies analysis.

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Selected Precedent Transactions Analysis

Barclays reviewed and compared the purchase prices and financial multiples paid in selected other transactions that Barclays deemed relevant based on its experience with merger and acquisition transactions, specifically in the MLP industry. Barclays chose such MLP merger transactions based on, among other things, the similarity of the applicable companies to ETP and SXL with respect principally to size and operational focus and because the organizations involved are all structured as MLPs. Each of the selected transactions was a merger of two MLPs that was announced between October 1997 and October 2016. None of the transactions selected based on the criteria were subsequently excluded in conducting this analysis. The following list sets forth the transactions analyzed based on such characteristics:

Target/Acquiror	**Announcement Date**
PennTex Midstream Partners, LP / Energy Transfer Partners, L.P.	October 2016
JP Energy Partners LP / American Midstream Partners, LP	October 2016
Markwest Energy Partners, LP / MPLX LP	July 2015
Crestwood Midstream Partners, LP / Crestwood Equity Partners, LP	May 2015
Regency Energy Partners LP / Energy Transfer Partners, L.P.	January 2015
Atlas Pipeline Partners, LP / Targa Resources Partners, LP	October 2014
Oiltanking Partners, LP / Enterprise Products Partners, LP	October 2014
Williams Partners, LP / Access Midstream Partners, LP	June 2014
PVR Partners, LP / Regency Energy Partners LP	October 2013
Crestwood Midstream Partners, LP / Inergy Midstream, LP	May 2013
Copano Energy, LLC / Kinder Morgan Energy Partners, LP	January 2013
Duncan Energy Partners, LP / Enterprise Products Partners, LP	April 2011
TEPPCO Partners, LP / Enterprise Products Partners, LP	June 2009
Pacific Energy Partners, LP / Plains All American Pipeline, LP	June 2006
Kaneb Pipe Line Partners, LP / Valero LP	November 2004
Gulfterra Energy Partners, LP / Enterprise Products Partners, LP	December 2003
Santa Fe Pacific Pipeline Partners, LP / Kinder Morgan Energy Partners, LP	October 1997

Using publicly available information, Barclays calculated and analyzed the multiples of enterprise value, or EV, to last twelve month (LTM) earnings before interest, taxes, depreciation and amortization, or LTM EBITDA, represented by the prices paid in selected precedent transactions. The results of the selected precedent transactions analysis are summarized below:

EV/LTM EBITDA

	Low	Median	Mean	High
Enterprise Value as a Multiple of:				
LTM EBITDA	9.2x	15.5x	16.2x	25.9x

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The reasons for and the circumstances surrounding each of the selected precedent transactions analyzed were diverse and there are inherent differences between the businesses, operations, financial conditions and prospects of ETP, SXL, and the MLPs included in the selected precedent transactions analysis. Accordingly, Barclays believed that a purely quantitative selected precedent transactions analysis would not be particularly meaningful in the context of considering the proposed transaction. Barclays therefore made qualitative judgments concerning differences between the characteristics of the selected precedent transactions and the proposed transaction which would affect the acquisition values of the selected target companies and ETP and SXL. Based upon these judgments, Barclays selected precedent transactions analysis yielded a reference equity value range for the ETP common units of $34.00 to $41.00 per ETP common unit and a reference equity value range for the SXL common units of $17.00 to $24.50 per SXL common unit.

Using the implied reference equity value per unit ranges for each of the ETP common units and the SXL common units, Barclays also derived a reference implied exchange ratio range of 1.3878x to 2.4118x.

Barclays noted that the exchange ratio of 1.5000x to be offered to unaffiliated ETP unitholders in the proposed transaction was in line with the implied equity value range per ETP common unit and the implied exchange ratio range yielded by Barclays selected precedent transactions analysis.

Analysis of Equity Research Analyst Price Targets

Barclays reviewed and compared, as of November 18, 2016, the publicly available price targets of ETP common units and SXL common units published by equity research analysts associated with various Wall Street firms, of which there were 14 (including Barclays equity research analyst price targets for each of ETP and SXL). The research analysts price targets per ETP common unit ranged from $36.00 to $55.00 and per SXL common unit ranged from $26.00 to $44.00. The publicly available share price targets published by such equity research analysts do not necessarily reflect the current market trading prices for ETP common units or SXL common units and these estimates are subject to uncertainties, including future financial performance of ETP and SXL and future market conditions. Using the range of research analyst price targets per ETP common unit and SXL common unit, Barclays also derived a reference implied exchange ratio range of 0.8182x to 2.1154x. Barclays noted that the exchange ratio of 1.5000x to be offered in the proposed transaction was in line with the implied equity value range per ETP common unit and the implied exchange ratio range yielded by Barclays research estimate analysis.

Historical Common Unit Trading Analysis

To provide background information and perspective with respect to the historical unit prices of ETP common units and SXL common units, Barclays reviewed the daily historical closing unit prices of ETP common units and SXL common units for the period from May 18, 2016 to November 18, 2016. Barclays analyzed the ratio of the daily closing price per ETP common unit to the corresponding closing price per SXL common unit of SXL over such period. Over the period, the implied relative exchange ratio ranged from a low of 1.2386x to a high of 1.5032x SXL common units per ETP common unit. In addition, Barclays reviewed the implied relative exchange ratio of the closing price per ETP common unit and closing price per SXL common unit based on November 18, 2016 closing prices and 5-day, 10-day, 20-day and 30-day volume weighted average prices (VWAP), respectively, as of November 18, 2016. This analysis implied relative exchange ratios ranging from a low of 1.3655x to a high of 1.5032x SXL common units per ETP common unit, which Barclays noted was in line with the exchange ratio of 1.5000x to be offered to unaffiliated ETP unitholders in the proposed transaction.

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Premiums Analysis

In order to provide background information and perspective to, and to assess the implied premium offered to unaffiliated ETP unitholders in the proposed transaction, Barclays reviewed and analyzed the implied premium levels in the proposed transaction based on the exchange ratios as of November 18, 2016 closing prices and the 5-day, 10-day, 20-day and 30-day VWAP of ETP common units and SXL common units. The table below sets forth the summary results of the analysis:

	Heads-Up Exchange Ratio	Implied Premium / (Discount) to Historical Heads-Up Exchange Ratio
Proposed Transaction	1.5000x	%
Current (11/18/2016)	1.5032x	(0.22%)
5-Day VWAP	1.4272x	5.10%
10-Day VWAP	1.4107x	6.33%
20-Day VWAP	1.4073x	6.59%
30-Day VWAP	1.3655x	9.85%

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Pro Forma Merger Consequences Analysis

Barclays reviewed and analyzed the pro forma impact of the transaction on projected distributable cash flow (DCF) and distributions of the combined company for each of 2017, 2018, and 2019. Barclays performed this analysis based on the ETP Projections, SXL Projections and the IDR Projected Subsidies and taking into account the Expected Synergies, using pro forma EBITDA for the combined company of $5,144 million, $7,475 million and $8,178 million for the remainder of 2017 (assuming a closing date of March 31, 2017), 2018 and 2019, respectively. EBITDA is a non-GAAP financial performance measure that subtracts from Consolidated EBITDA amount related to less than wholly owned subsidiaries and adds back cash distributions from said entities. Based upon the IDR Projected Subsidies, Barclays assumed that ETE will provide total incentive distribution subsidies of $656 million in 2017, $153 million in 2018 and $128 million in 2019 and that $33 million of annual incentive distribution subsidies will remain in effect in perpetuity, consistent with the current incentive distribution subsidies in place at ETP. In connection with this analysis, Barclays noted that the implied pro forma debt to EBITDA ratio for SXL was 4.9x, 4.0x and 3.7x for 2017, 2018 and 2019, respectively, and for ETP was 5.2x, 4.4x and 4.1x for 2017, 2018 and 2019 respectively. With respect to the pro forma analysis using ETP Projections and SXL Projections, Barclays noted that pro forma per unit distributions for the combined company would be dilutive to ETP standalone in each of 2017, 2018, and 2019, respectively. For SXL, with respect to the pro forma analysis based on ETP Projections and SXL Projections, Barclays noted that per unit distributions for the combined company would be accretive to SXL standalone in each of 2017, 2018, and 2019. Additionally, Barclays noted the pro forma dilution indicated to result from the proposed transaction under the pro forma merger consequence analysis relative to standalone ETP common unit distributions per the ETP Projections would be less than the distribution reduction arising from ETP Distribution Reduction Case, which ETP management stated would be the likely course of action in the absence of the proposed transaction, in 2017 and approximately neutral relative to such reduction in per ETP common unit distributions arising from ETP Distribution Reduction Case in each of 2018 and 2019. Barclays further noted the pro forma dilution indicated to result from the proposed transaction under the pro forma merger consequence analysis relative to standalone ETP distributable cash flow per ETP common unit per the ETP Projections would be less than the reduction in distributable cash flow per ETP common unit arising from ETP Distribution Reduction Case, which ETP management stated would be the likely course of action in the absence of the proposed transaction, in 2017, approximately neutral relative to distributable cash flow per ETP common unit arising from ETP Case in 2018 and accretive relative to distributable cash flow per ETP common unit arising from ETP Distribution Reduction Case in 2019. The tables below provide a pro forma comparison of the ETP Status Quo Case relative to the ETP Distribution Reduction Case and a comparison of the pro forma consequences of the proposed transaction to SXL and ETP as compared to the ETP Status Quo Case.

		Status Quo Case -- Metric Per Unit	**Distribution Reduction Case -- Metric Per Unit**	**Percentage Change Relative To ETP Status Quo Case**	**Proposed Transaction -- Metric Per Unit**	**Proposed Transaction -- Percentage Change Relative To ETP Status Quo Case**
Pro Forma Impact to SXL	2017E DCF / Common Unit	$ 2.27	NA	NA	$ 2.51	10.5%
		$ 2.55	NA	NA	$ 2.70	5.9%

2018E DCF / Common Unit					
2019E DCF / Common Unit	$ 2.77	NA	NA	$ 2.90	4.6%
2017E Distribution / Common Unit	$ 2.17	NA	NA	$ 2.38	9.9%
2018E Distribution / Common Unit	$ 2.32	NA	NA	$ 2.50	7.4%
2019E Distribution / Common Unit	$ 2.49	NA	NA	$ 2.65	6.2%

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		Status Quo Case -- Metric Per Unit	Distribution Reduction Case -- Metric Per Unit	Distribution Reduction Case -- Percentage Change Relative To ETP Status Quo Case	Proposed Transaction -- Metric Per Unit	Proposed Transaction -- Percentage Change Relative To ETP Status Quo Case
Pro Forma Impact to ETP	2017E DCF / Common Unit	$ 3.92	$ 3.55	(9.6%)	$ 3.76	(4.1%)
	2018E DCF / Common Unit	$ 4.02	$ 4.04	0.3%	$ 4.05	0.6%
	2019E DCF / Common Unit	$ 4.26	$ 4.28	0.5%	$ 4.35	2.3%
	2017E Distribution / Common Unit	$ 4.22	$ 3.37	(20.1%)	$ 3.57	(15.3%)
	2018E Distribution / Common Unit	$ 4.22	$ 3.75	(11.1%)	$ 3.75	(11.3%)
	2019E Distribution / Common Unit	$ 4.22	$ 3.98	(5.7%)	$ 3.97	(6.0%)

General

Barclays is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. The ETP Conflicts Committee selected Barclays because of its familiarity with ETP and SXL, and because of Barclays qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally, knowledge of the industries in which ETP and SXL operate, as well as substantial experience in transactions comparable to the proposed transaction.

Barclays is acting as financial advisor to the ETP Conflicts Committee in connection with the proposed transaction. As compensation for its services in connection with the proposed transaction, ETP will pay Barclays a fee of $7.5 million, conditioned upon and payable upon closing of the proposed transaction, which is referred to as the Transaction Fee. In addition, ETP paid Barclays a fee of $1 million upon delivery of the opinion, which is referred to as the Opinion Fee. The Opinion Fee was not contingent upon the conclusion of Barclays opinion and the Opinion Fee is creditable against the Transaction Fee upon the closing of the proposed transaction. In addition, the ETP Conflicts

Committee, in its sole discretion, will consider whether to cause ETP to pay Barclays, based on the ETP Conflicts Committee s assessment of the quality and quantity of work performed, and value added by, Barclays in connection with its engagement with the ETP Conflicts Committee, an additional discretionary fee of up to $1 million (payable with the Transaction Fee). In addition, ETP has agreed to reimburse Barclays for a portion of its reasonable expenses incurred in connection with the proposed transaction (not to exceed $150,000 without the prior consent of the ETP Conflicts Committee, not to be unreasonably withheld; provided that the foregoing expense cap will not limit or modify ETP s indemnification obligations pursuant to the engagement letter entered into by Barclays and the ETP Conflicts Committee) and to

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indemnify Barclays for certain liabilities that may arise out of its engagement by the ETP Conflicts Committee and the rendering of Barclays opinion as set forth in Barclays engagement letter with the ETP Conflicts Committee. Barclays has performed various investment banking and financial services for ETP, ETE, SXL and their affiliates in the past, and Barclays expects to perform such services in the future, and has received, and expects to receive, customary fees for such services. Specifically, since January 2014, Barclays has performed the following investment banking and financial services: (i) agent on ETP s $1.5 billion 2016 ATM equity offering program; (ii) bookrunner on ETP s approximately $3 billion senior notes offering; (iii) financial advisor to the ETP Conflicts Committee on ETP s acquisition of Regency Energy Partners LP; (iv) agent on ETP s $1.5 billion 2015 ATM equity offering program; (v) financial advisor to the ETP Conflicts Committee on ETP s acquisition of the Bakken Pipeline project from ETE; (vi) a financial advisor to the ETP Conflicts Committee on ETP s divestiture of Mid-Atlantic Convenience Stores, LLC to Sunoco LP (in which ETE acquired the membership interest in the general partner of Sunoco LP from ETP in July 2015); (vii) agent on ETP s $1.5 billion 2014 ATM equity offering program; (viii) financial advisor to ETP on its acquisition of Susser Holdings Corp.; (ix) bookrunner for ETE s $400 million term loan offering in 2014; (x) bookrunner on SXL s 2015 approximately $560 million equity offering; (xi) bookrunner on SXL s 2016 approximately $650 million block equity offering; (xii) placement agent in SXL s $1 billion 2014 equity offering program; (xiii) bookrunner on SXL s 2014 approximately $373 million equity offering; (xiv) bookrunner on SXL s 2014 $1 billion notes offering; and (xv) Barclays is currently a lender under ETP s, ETE s, SXL s and Sunoco LP s existing revolving credit facilities. In respect of these services, Barclays received fees since January 2014 of (a) less than $1 million from ETE; (b) approximately $12 million to $15 million from SXL; (c) approximately $22 million to $24 million from ETP (including fees received from PennTex Midstream Partners, LP, which ETP acquired in October 2016, and excluding any fees paid or payable in respect of the proposed transaction) and (d) approximately $2 million to $3.5 million from Sunoco LP. Barclays disclosed the nature of its relationship and engagements for ETP, ETE, SXL and their affiliates and the amount and nature of the fees it received from such parties to the ETP Conflicts Committee on or about November 4, 2016, and such relationships and fees were discussed at various times throughout November 4 to November 9, 2016 by the ETP Conflicts Committee with management and the ETP Conflict Committee s legal counsel. See The Merger Background of the Merger beginning on page 49 of this proxy statement/prospectus. Barclays subsequently disclosed such information directly to the ETP Conflicts Committee in its presentation dated November 20, 2016.

Barclays and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of its business, Barclays and its affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of ETP, ETE and SXL and their respective affiliates for Barclays own account and for the accounts of Barclays customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments

Unaudited Financial Projections of ETP

ETP does not as a matter of course make public projections as to earnings or other results. However, the management of ETP has prepared prospective financial information to assist the ETP Board and the ETP Conflicts Committee in evaluating ETP s operations and prospects, and for use in connection with discussions with third parties regarding possible combination transactions. The accompanying summary prospective financial information was not prepared with a view toward complying with United States generally accepted accounting principles (GAAP), the published guidelines of the SEC regarding projections, with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of ETP s management was, based on certain growth assumptions, prepared on a reasonable basis, reflected the best currently available estimates and judgments, and presented, to the best of ETP s management s knowledge and belief, the expected course of action and the expected future financial performance of

ETP. However, this information is not fact. None of the unaudited financial projections reflect any impact of the proposed transaction.

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Neither SXL s nor ETP s independent auditors, any other independent accountants nor any of their other respective advisors, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for the prospective financial information. The reports of the independent registered public accounting firms incorporated by reference into this proxy statement/prospectus relate to the historical financial information of SXL and ETP, respectively. Such reports do not extend to the unaudited financial projections and should not be read to do so.

In developing the ETP unaudited financial projections set forth below (the ETP Unaudited Financial Projections), the management of ETP made numerous material assumptions with respect to ETP for the periods covered by the projections, including, but not limited to, the following:

- the EBITDA and maintenance capital expenditures from existing assets and business activities;
- organic growth opportunities, and the amounts and timing of related capital expenditures and future EBITDA to be generated from such organic growth opportunities;
- the credit risk of customers and the potential impact from future deteriorations of credit quality, including the potential for bankruptcy, of certain customers and the financial impact to ETP related thereto;
- outstanding debt and debt and equity issuance during applicable periods, and the availability and cost of debt and equity capital;
- the amount and timing of debt repayments;
- the amount of incentive distribution subsidies that ETE provides to ETP; and
- other general business, market, and financial assumptions.

In addition, as set forth in the ETP management s written statement (the ETP Management Written Statement), ETP management has recently reviewed ETP s projected results of operations, capital expenditures, debt and equity funding requirements, leverage metrics and distributable cash flow per ETP common unit, including the projected financial information provided to Barclays in connection with its role as the financial advisor to the ETP Conflicts Committee. In connection with this review, ETP management has evaluated the effects of the significant levels of equity issuances and borrowings that have occurred to fund capital expenditures related to organic growth projects and acquisitions and that will continue to occur through the completion of this $10.0 billion growth capital program, and has determined that:

this significant growth capital expenditure program is expected to generate substantial cash flow from long-term contracts supporting such projects in future years as such projects are completed; however, due to delays in the completion of some of these projects, which have delayed cash flows, and the increased interest expense on additional borrowings and the additional cash distributions on newly issued ETP common units to fund these projects, ETP s leverage has increased and its cash distribution coverage has decreased;

ETP has several options to manage its leverage levels and its cash distribution coverage ratio, including the possibility of seeking additional incentive distribution subsidies from ETE or reducing its quarterly cash distributions; and

if the proposed transaction with SXL is not consummated, ETP would need to consider its other alternatives and, in the event that ETE is unwilling or unable to provide additional incentive distribution subsidies, ETP management would likely consider a reduction in quarterly cash distributions in the range of 15% to 25% in order to reduce ETP s leverage ratios and increase its distribution coverage ratio to maintain its investment grade rating, support its long-term financial health and promote its future distribution growth potential, and in the event that ETP were to make such cash distributions reductions in this range during this period, it is likely that ETE would seek to negotiate a reduction in the incentive distribution subsidies currently in effect in order for ETE to preserve its existing credit ratings.

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The estimates and assumptions underlying the ETP Unaudited Financial Projections are inherently uncertain and, though considered reasonable by the management of ETP as of the date of the preparation of such unaudited financial projections, are subject to a wide variety of significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the unaudited financial projections, including, among other things, the matters described in the sections entitled Cautionary Statement Regarding Forward-Looking Statements and Risk Factors beginning on pages 37 and 30, respectively. Accordingly, there can be no assurance that the ETP Unaudited Financial Projections are indicative of the future performance of ETP, or that actual results will not differ materially from the results presented in the ETP Unaudited Financial Projections. Inclusion of the ETP Unaudited Financial Projections in this proxy statement/prospectus should not be regarded as a representation by any person that the results contained in the ETP Unaudited Financial Projections will be achieved. **In light of the foregoing factors and the uncertainties inherent in the ETP Unaudited Financial Projections, the unaffiliated ETP unitholders are cautioned not to place undue, if any, reliance on the ETP Unaudited Financial Projections.**

The ETP Unaudited Financial Projections are not included in this proxy statement/prospectus to induce any unaffiliated ETP unitholders to vote in favor of any of the proposals at the ETP special meeting.

The following table sets forth select projected financial information derived from financial projections prepared by ETP management to reflect the base case for the financial performance for ETP based on the assumptions that the proposed transaction with SXL is not consumated and ETP maintains its cash distribution per ETP common unit at the current cash distribution rate of $4.22 per common unit on an annualized basis (the ETP Status Quo Case Projections).

	Year Ending December 31,		
	2017E	**2018E**	**2019E**
	($ in millions, except per unit amounts)		
Consolidated EBITDA	$ 7,071	$ 8,560	$ 9,223
EBITDA	$ 5,025	$ 5,984	$ 6,485
Distributable cash flow(1)	$ 3,630	$ 4,560	$ 5,039
Distributable cash flow per ETP common unit(2)	$ 3.92	$ 4.02	$ 4.26
Distribution per ETP common unit	$ 4.22	$ 4.22	$ 4.22
Distribution coverage ratio(3)	0.93x	0.96x	1.02x

(1) Distributable cash flow is defined as EBITDA less maintenance capital expenditures, interest expense and cash income taxes paid and the add back of non-cash and transaction-related expenses for ETP s wholly owned subsidiaries.
(2) Gives effect to incentive distribution subsidies of $656.0 million, $138.0 million and $128.0 million for the years ending December 31, 2017, 2018 and 2019, respectively, previously agreed to by ETE.
(3) Distribution coverage ratio is distributable cash flow divided by total cash distributed in respect of limited partner and general partner interests.

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The following table presents select projected financial information derived from financial projections proposed by ETP management based upon the ETP Status Quo Case Projections as adjusted to reflect (i) a hypothetical reduction in distributions in respect of ETP common units by approximately 20% in 2017 and that thereafter distributions in respect of ETP common units are made on a basis that results in ETP maintaining a cash coverage ratio of 1.1x, and (ii) a hypothetical removal of a $465 million incentive distribution subsidy that was in place during 2017 (the ETP Distribution Reduction Case Projections), which ETP Distribution Reduction Case Projections were prepared to demonstrate and evaluate the impact of a 15% to 25% reduction in the distributions in respect of ETP common units distribution per the ETP Management Written Statement, the primary effect of which is to reduce the number of ETP common units that would otherwise be necessary to issue in order to improve ETP s debt to EBITDA ratio for the purpose of allowing ETP to maintain its investment grade ratings.

	Year Ending December 31,		
	2017E	2018E	2019E
	($ in millions, except per unit amounts)		
Consolidated EBITDA	$ 7,071	$ 8,560	$ 9,223
EBITDA	$ 5,025	$ 5,984	$ 6,485
Distributable cash flow	$ 3,632	$ 4,575	$ 5,068
Distributable cash flow per ETP common unit	$ 3.55	$ 4.04	$ 4.28

Consolidated EBITDA is a non-GAAP financial performance measure that is defined as total partnership earnings before interest, taxes, depreciation, depletion, amortization and other non-cash items, such as non-cash compensation expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, non-cash impairment charges, losses on extinguishments of debt and other non-operating income or expense items. Unrealized gains and losses on commodity risk management activities include unrealized gains and losses on commodity derivatives and inventory fair value adjustments (excluding lower of cost or market adjustments). Consolidated EBITDA reflects amounts for less than wholly-owned subsidiaries based on 100% of the subsidiaries results of operations and for unconsolidated affiliates based on ETP s proportionate ownership. Consolidated EBITDA is reported on a consistent basis as Adjusted EBITDA in ETP public filings. EBITDA is a non-GAAP financial performance measure that subtracts from Consolidated EBITDA amounts related to less than wholly owned subsidiaries and adds back cash distributions from said entities. Distributable cash flow is a non-GAAP financial performance measure that represents the distributable cash flow accruing to ETP. Distributable cash flow per ETP common unit is a non-GAAP financial performance measure that represents the distributable cash flow accruing to each ETP common unit. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in accordance with GAAP. ETP s calculation of these non-GAAP measures may differ from others in its industry and is not necessarily comparable with similar titles used by other companies.

ETP DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ETP UNAUDITED FINANCIAL PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH ETP UNAUDITED FINANCIAL PROJECTIONS ARE NO LONGER APPROPRIATE.

Reasons of the SXL Conflicts Committee and the SXL Board for the Merger

The reasons for the SXL Conflicts Committee and the SXL Board approving the merger agreement and the merger on November 20, 2016, include:

The value created in the merger for the SXL unitholders as a result of the expectation that the acquisition of ETP will provide SXL:

- the opportunity to extend its strategic footprint further upstream, to vertically integrate its NGL business and to realize potential benefits of controlling additional NGL volumes;

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benefits of additional scale and scope of business, including diversification of basin and geographic and product exposures;

an enhanced ability to manage risk associated with large scale investment opportunities;

the ability to better capitalize on commercial synergies between the ETP and SXL businesses and to realize potential cost savings; and

enhanced capital markets access.

The expectation that, during at least the first three years following the merger, the distributions to be received by SXL common unitholders will be higher than the distributions that would have been received by SXL common unitholders if the merger were not completed.

The opportunity for SXL to benefit from any future earnings and growth of ETP s assets after the merger.

The expectation that there should be relatively low execution risk in integrating ETP s and SXL s businesses due to existing shared services.

The SXL Board also based its determination to approve the merger agreement and the merger, in part, on the unanimous recommendation of the SXL Conflicts Committee that the SXL Board approve the merger agreement and the merger, following the SXL Conflicts Committee s evaluation of the merger in consultation with its legal and financial advisors and with SXL management. The SXL Board also consulted with its legal advisors prior to approving the merger agreement and the merger.

The foregoing discussion is not intended to be exhaustive, and is only intended to address the principal factors considered by the SXL Conflicts Committee and the SXL Board in favor of the merger. In view of the number and variety of factors and the amount of information considered, the SXL Conflicts Committee and the SXL Board did not find it practicable to, and did not make specific assessments of, quantify or otherwise assign relative weights to, the specific factors considered in reaching its determination. In addition, the SXL Conflicts Committee and the SXL Board did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of the SXL Conflicts Committee and the SXL Board may have given different weights to different factors. The SXL Conflicts Committee and the SXL Board made their determinations based on the totality of information presented to, and the investigation conducted by, the SXL Conflicts Committee and the SXL Board. It should be noted that certain statements and other information presented in this section are forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Regarding Forward-Looking Statements.

Unaudited Financial Projections of SXL

SXL does not as a matter of course make public projections as to earnings or other results. However, the management of SXL prepared prospective financial information to assist the SXL Board and the SXL Conflicts Committee and its advisors in evaluating SXL s operations and prospects and the potential merger, and these projections were provided to

the ETP Board and the ETP Conflicts Committee, and to Barclays as the financial advisor to the ETP Conflicts Committee, in connection with the analysis and negotiation of the merger. The accompanying summary prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of SXL s management was, based on certain growth assumptions, prepared on a reasonable basis, reflected the best currently available estimates and judgments, and presented, to the best of SXL s management s knowledge and belief, the expected course of action and the expected future financial performance of SXL. However, this information is not fact. None of the unaudited financial projections reflect any impact of the proposed transaction and have not been updated since the date of preparation.

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Neither SXL s nor ETP s independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for the prospective financial information. The reports of the independent registered public accounting firms incorporated by reference into this proxy statement/prospectus relate to the historical financial information of SXL and ETP, respectively. Such reports do not extend to the unaudited financial projections and should not be read to do so.

In developing the unaudited financial projections set forth below (the SXL Unaudited Financial Projections), management of SXL made numerous material assumptions with respect to SXL for the periods covered by the projections, including, but not limited to, the following:

- the EBITDA and maintenance capital expenditures from existing assets and business activities;
- assumptions with respect to organic growth projects, including the timing of permitting, construction and start-up, and the amounts and timing of capital expenditures and EBITDA associated with such projects;
- the amount and timing of issuances of debt and equity securities, and the availability and cost of debt and equity capital;
- assumptions relating to the prices and production of, and demand for, crude oil, natural gas, NGLs, and other hydrocarbon and petrochemical products, and the commodities markets;
- the volumes of products handled and the margins associated with services and products provided to customers; and
- other general business, market and financial assumptions.

All of these assumptions involve variables making them difficult to predict, and most are beyond the control of either SXL or ETP. Although management of SXL believes that there was a reasonable basis for the underlying assumptions related to the SXL Unaudited Financial Projections, any assumptions for near-term and long-term projected cases remain uncertain, and the risk of inaccuracy increases with the length of the forecast period.

The estimates and assumptions underlying the SXL Unaudited Financial Projections are inherently uncertain and, though considered reasonable by the management of SXL as of the date of the preparation of such projections, are subject to a wide variety of significant business, economic, regulatory and competitive risks and uncertainties that are outside of the control of SXL and ETP and could cause actual results to differ materially from those contained in the SXL Unaudited Financial Projections, including, among other things, the matters described in the sections entitled Cautionary Statement Regarding Forward-Looking Statements and Risk Factors beginning on pages 37 and 30, respectively. Accordingly, there can be no assurance that the projections are indicative of the future performance of SXL, or that actual results will not differ materially from those presented in the SXL Unaudited Financial Projections. Inclusion of the SXL Unaudited Financial Projections in this proxy statement/prospectus should not be regarded as a

representation by any person that the results contained in the SXL Unaudited Financial Projections will be achieved. **In light of the foregoing factors and the uncertainties inherent in the SXL Unaudited Financial Projections, the unaffiliated ETP unitholders are cautioned not to place undue, if any, reliance on the SXL Unaudited Financial Projections.**

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The SXL Unaudited Financial Projections are not included in this proxy statement/prospectus in order to induce any unaffiliated ETP unitholders to vote in favor of any of the proposals at the ETP special meeting.

	Year Ending December 31,		
	2017E	**2018E**	**2019E**
	($ in millions, except per unit amounts)		
EBITDA	$ 1,698	$ 2,043	$ 2,256
Distributable cash flow	$ 1,208	$ 1,418	$ 1,607
Distributable cash flow per SXL common unit	$ 2.31	$ 2.55	$ 2.77
Distribution per common unit	$ 2.17	$ 2.32	$ 2.49

EBITDA is a non-GAAP financial performance measure that represents pre-tax income, plus non-cash charges such as depreciation, amortization and stock-based compensation and excludes the income and charges recorded on account of previously divested operations. Distributable cash flow is a non-GAAP financial performance measure that represents the distributable cash flow accruing to SXL. Distributable cash flow per SXL common unit is a non-GAAP financial performance measure that represents the distributable cash flow accruing to each SXL common unit. Distribution per SXL common unit is a non-GAAP financial performance measure that represents the distributions accruing to each SXL common unit. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in accordance with GAAP. SXL s calculation of these non-GAAP measures may differ from others in its industry and is not necessarily comparable with similar titles used by other companies.

SXL DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE SXL UNAUDITED FINANCIAL PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH SXL UNAUDITED FINANCIAL PROJECTIONS ARE NO LONGER APPROPRIATE.

Interests of Directors and Executive Officers of ETP in the Merger

In considering the recommendation of the ETP Board that you vote to adopt the merger agreement, you should be aware that aside from their interests as unitholders of ETP, ETP s directors and executive officers have interests in the merger that are different from, or in addition to, the interests of ETP unitholders generally. The members of the ETP Board were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the unitholders of ETP that the merger agreement be adopted. See Background of the Merger and Recommendation of the ETP Board; Reasons for the Merger. ETP s unitholders shoul take these interests into account in deciding whether to vote FOR the adoption of the merger agreement. These interests are described in more detail below, and certain of them are quantified in the narrative and the table below.

Existing Relationships of ETP GP LLC Officers and Directors with ETE and SXL

ETE, as the sole member of ETP GP LLC, is entitled under the limited liability company agreement of ETP GP LLC to appoint all of the directors of ETP GP LLC. Accordingly, ETE has appointed to the ETP Board and has the ability to remove from the ETP Board each of the directors of ETP GP LLC, including, subject to the terms of the merger agreement restricting the removal of ETP Conflicts Committee members during the pendency of the merger agreement, each of the members of the ETP Conflicts Committee.

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In addition, certain of the directors and executive officers of ETP GP LLC also serve as directors or executive officers of LE GP, LLC, the general partner of ETE (ETE GP) and/or SXL GP, as set forth below:

Name	Position at ETP GP LLC	Position at SXL GP	Position at ETE GP
Kelcy L. Warren	Chief Executive Officer and Chairman of the Board of Directors		Chairman of the Board of Directors
Marshall S. (Mackie) McCrea, III	Director	Chairman of the Board of Directors	Group Chief Operating Officer, Chief Commercial Officer and Director
James R. (Rick) Perry	Director	Director	
Matthew S. Ramsey	President, Chief Operating Officer and Director		Director
Thomas E. Long	Chief Financial Officer		Group Chief Financial Officer

Economic Interests of ETP GP LLC Officers and Directors in ETE and SXL

Certain of the directors and executive officers of ETP GP LLC hold common units in SXL and ETE, and thus may have economic interests in the merger that are different from ETP common unitholders generally. Set forth below is a summary of the common unit ownership of each of the directors and executive officers of ETP GP LLC in ETP, SXL and ETE, as of December 15, 2016, the most recent practicable date.

Name	ETP Common Units Beneficially Owned	SXL Common Units Beneficially Owned	ETE Common Units Beneficially Owned
Kelcy L. Warren	21,167		187,739,220
Ted Collins, Jr.	113,537	23,404	344,532
Michael K. Grimm	26,016		
Marshall S. (Mackie) McCrea, III	351,710	58,495	2,347,200
James R. (Rick) Perry	10		
Matthew S. Ramsey	14,370		53,331
David K. Skidmore	10,530		10,530
Thomas E. Long	27,340		
James M. Wright, Jr.	18,537		10,352
A. Troy Sturrock	11,182		1,000

Treatment of ETP Equity-Based Awards

Under the merger agreement, as with all holders of ETP restricted units, each ETP restricted unit held by ETP s directors and executive officers that is outstanding as of immediately prior to the effective time will cease to relate to or represent a right to receive ETP common units and will be converted, at the effective time, into the right to receive an award of restricted units relating to SXL common units on the same terms and conditions as were applicable to the corresponding award of ETP restricted units, except that the number of SXL common units covered by the award will be equal to the number of ETP common units covered by the corresponding award of ETP restricted units multiplied by the exchange ratio, rounded up to the nearest whole unit.

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As of December 10, 2016, the ETP executive officers and directors held the following numbers of outstanding ETP restricted units:

Name of Executive Officer	Number of Outstanding ETP Restricted Units
Kelcy L. Warren	
Marshall S. (Mackie) McCrea, III	227,240
Matthew S. Ramsey	77,190
Thomas E. Long	40,644
James M. Wright	29,084
A. Troy Sturrock	14,727

Name of Director	Number of Outstanding ETP Restricted Units
Ted Collins, Jr.	6,600
Michael K. Grimm	6,600
James R. (Rick) Perry	5,358
David K. Skidmore	7,176

Indemnification and Insurance

The ETP partnership agreement requires ETP, among other things, to indemnify the directors and executive officers of ETP GP LLC, the general partner of ETP GP, against certain liabilities that may arise by reason of their service as directors or officers.

In addition, the merger agreement provides that, for a period of six years from the effective time, ETP, the surviving entity, and ETP GP, the GP merger surviving entity, will indemnify, defend and hold harmless each officer or director of ETP, ETP GP LLC, SXL, SXL GP or any of its subsidiaries and also with respect to any such person, in their capacity as a director, officer, employee, member, trustee or fiduciary of another corporation, foundation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise (whether or not such other entity or enterprise is affiliated with ETP) serving at the request of or on behalf of ETP, ETP GP LLC, SXL, SXL GP or any of its subsidiaries and together with such person s heirs, executors or administrators against any cost or expenses (including attorneys fees), judgments, fines, losses, claims, damages or liabilities and amounts paid in settlement in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative, investigative or otherwise and whether or not such claim, action, suit, proceeding or investigation results in a formal civil or criminal litigation or regulatory action.

In addition, pursuant to the terms of the merger agreement, ETP s, ETP GP LLC s, SXL s or SXL GP s directors and executive officers will be entitled to certain ongoing indemnification and coverage under directors and officers liability insurance policies from the surviving entity. Such indemnification and insurance coverage is further described in the section entitled The Merger Agreement Indemnification; Directors and Officers Insurance.

New Arrangements with SXL

Following the completion of the merger, (i) Kelcy L. Warren, Chief Executive Officer of ETP, is expected to become the Chief Executive Officer of SXL, (ii) Marshall S. (Mackie) McCrea, III, Group Chief Operating Officer and Chief Commercial Officer of ETE, is expected to become the Chief Commercial Officer of SXL, (iii) Matthew S. Ramsey, President and Chief Operating Officer of ETP, is expected to become the President of SXL, and (iv) Thomas E. Long, Chief Financial Officer of ETP, is expected to become the Chief Financial Officer of SXL. SXL also expects that Michael J. Hennigan, the current President and Chief Executive Officer of SXL, and other members of the SXL management team will continue in leading management roles of the combined company with the current SXL business operations continuing to be headquartered in Philadelphia.

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ETP GP Board Following the Merger

The current members of the ETP Board are expected to serve as members of the post-merger ETP Board following the merger, when the ETP Board becomes responsible for managing ETP GP as the general partner of SXL.

Severance Plan

Executive officers participate in the Energy Transfer Partners GP, L.P. Severance Plan (the Severance Plan). The Severance Plan provides for payment of certain severance benefits in the event of a Qualifying Termination (as that term is defined in the Severance Plan). In general, the Severance Plan provides payment of two weeks of annual base salary for each year or partial year of employment service, up to a maximum of 52 weeks or one year of annual base salary (with a minimum of four weeks of annual base salary) and up to three months of continued group health insurance coverage. The Severance Plan also provides that additional benefits in addition to those provided under the Severance Plan may be paid based on special circumstances, which additional benefits will be unique and non-precedent setting. The Severance Plan is available to all salaried employees on a nondiscriminatory basis and is not related to or otherwise based on the merger. The merger is not currently expected to result in a Qualifying Termination for any of ETP s named executive officers; however, benefits would be payable under the Severance Plan if an executive officer does incur a Qualifying Termination before, in connection with, or after the consummation of the merger.

In addition, in connection with the merger, ETE, SXL or their affiliates may adopt an additional severance plan or policy (or may pay additional benefits under the Severance Plan) in connection with a Qualifying Termination (or other termination) that relates to or occurs within a certain period of time following the consummation of the merger. As of the date of this filing, the terms of any such additional severance plan or policy (or such additional benefits under the Severance Plan) have not been determined and no such plan or agreements with respect to any executive officer exist.

Interests of ETE and ETP in the Merger

ETE holds a controlling ownership interest in ETP. ETE controls ETP through ETE s ownership of ETP GP LLC, which is the general partner of ETP GP. ETE also owns all of the limited partner interests in ETP GP. ETP GP owns 100% of the general partner interest and incentive distribution rights in ETP and all of the Class J units in ETP. ETE also owns all of the Class H units and Class I units in ETP, as well as approximately 0.5% of the outstanding ETP common units. In addition, ETE indirectly owns a 0.1% membership interest in SXL GP, which owns 100% of the general partner interest and incentive distribution rights in SXL. ETE has different economic interests in the merger than ETP common unitholders generally due to, among other things, ETE s ownership of economic interests in ETP other than ETP common units and ETE s ongoing indirect ownership of the general partner interest and incentive distribution rights in SXL following the merger. In addition, due to ETE s ownership of incentive distribution rights in ETP, ETE has different interests than ETP common unitholders in certain of the alternatives ETP has indicated it would consider if a merger with SXL is not consummated, including any reduction in ETP s distribution levels, which would have a disproportionately negative impact on ETE, as the holder of the incentive distribution rights in ETP, compared to ETP common unitholders generally. Please see Unaudited Financial Projections of ETP for a discussion of ETP management s evaluation of its options to manage ETP s leverage levels and cash distribution coverage ratio in the absence of the merger.

ETP holds a controlling ownership interest in SXL through its ownership of a 99.9% membership interest in SXL GP, which owns 100% of the general partner interest and incentive distribution rights in SXL. ETP also owns all of the Class B units in SXL and approximately 21% of the outstanding SXL common units.

Under the terms of the merger agreement, ETE has agreed to vote all of the ETP common units owned beneficially or of record by ETE and its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof.

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No Dissenters Rights or Appraisal Rights

Neither appraisal rights nor dissenters rights are available in connection with the merger under the Delaware LP Act, the merger agreement or the ETP partnership agreement.

No SXL Unitholder Approval Required

SXL unitholders are not required to adopt the merger agreement or approve the merger or the issuance of SXL common units in connection with the merger.

Accounting Treatment of the Merger

ETP controls SXL through its ownership of SXL GP and therefore currently consolidates the operations of SXL into ETP s financial statements. For accounting purposes, the merger will result in ETP being considered the surviving consolidated entity, rather than SXL, which is the surviving consolidated entity for legal and reporting purposes. Subsequent to the merger, SXL will present consolidated financial statements that reflect the historical consolidated financial statements of ETP. The merger will be accounted for as an equity transaction and will be reflected in the consolidated financial statements as ETP s acquisition of SXL s noncontrolling interest. The carrying amounts of SXL s and ETP s assets and liabilities will not be adjusted, nor will a gain or loss be recognized as a result of the merger.

SXL Amended and Restated Partnership Agreement

In conjunction with the merger, SXL GP will enter into the SXL partnership agreement, providing for, among other things, (i) the creation and issuance of the SXL preferred units and SXL Class E units, SXL Class G units, SXL Class I units, SXL Class J units, and SXL Class K units and (ii) a change in the definition of Operating Surplus in the SXL partnership agreement to provide that such term will include an amount equal to the accumulated and undistributed operating surplus of ETP as of the closing of the merger. In addition, the SXL partnership agreement will provide for the reduction by ETE, as the indirect holder of SXL s incentive distribution rights following the consummation of the merger, in quarterly distributions in respect of such rights in the following amounts:

Quarter Ending	Former ETP IDR Reduction	Former SXL IDR Reduction	Total IDR Reduction
March 31, 2017	$ 149,500,000	$ 7,500,000	$ 157,000,000
June 30, 2017	$ 154,500,000	$ 7,500,000	$ 162,000,000
September 30, 2017	$ 155,750,000	$ 7,500,000	$ 163,250,000
December 31, 2017	$ 165,750,000	$ 7,500,000	$ 173,250,000
March 31, 2018	$ 34,500,000	$ 7,500,000	$ 42,000,000
June 30, 2018	$ 34,500,000	$ 7,500,000	$ 42,000,000
September 30, 2018	$ 34,500,000		$ 34,500,000
December 31, 2018	$ 34,500,000		$ 34,500,000
March 31, 2019	$ 32,000,000		$ 32,000,000
June 30, 2019	$ 32,000,000		$ 32,000,000
September 30, 2019	$ 32,000,000		$ 32,000,000
December 31, 2019	$ 32,000,000		$ 32,000,000
March 31, 2020 and Each Quarter Thereafter	$ 8,250,000		$ 8,250,000

Regulatory Approvals and Clearances Required for the Merger

Consummation of the merger is subject to the expiration or termination of the applicable waiting period under the HSR Act, if any, and obtaining any approval or consent under any other applicable antitrust law. There is no filing requirement under the HSR Act for the merger, and therefore no waiting period applies. Further, no approvals or consents are required under any other antitrust law. Therefore, there are no regulatory approvals or clearances required to consummate the merger.

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At any time before or after the effective time, the Antitrust Division of the Department of Justice (the Antitrust Division), the Federal Trade Commission (the FTC) or another governmental authority could take action under the antitrust laws, including seeking to prevent the merger, to rescind the merger or to conditionally approve the merger upon the divestiture of assets of SXL or ETP or subject to other remedies. In addition, U.S. state attorneys general could take action under the antitrust laws as they deem necessary or desirable in the public interest including without limitation seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions. Private parties may also seek to take legal action under the antitrust laws under some circumstances. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

SXL and ETP have agreed to (including to cause their respective subsidiaries to) use their reasonable best efforts to resolve any objections that a governmental authority may assert under antitrust laws with respect to the transactions contemplated by the merger agreement, including the merger, and to avoid or eliminate each and every impediment under any antitrust law that may be asserted by any governmental authority with respect to the merger, in each case, so as to enable the closing of the merger to occur as promptly as practicable and in any event no later than the outside date, and including agreeing to dispose or hold separate certain assets or agreeing to a non-compete or other restriction. Notwithstanding the foregoing, ETP has agreed not to commit to any disposal, hold separate of other restriction related to it or its subsidiaries businesses, operations or assets without SXL s prior written consent.

Directors and Executive Officers of SXL After the Merger

Following the consummation of the mergers, ETP GP, as the general partner of SXL, will have direct responsibility for conducting SXL s business and for managing its operations. Because ETP GP is a limited partnership, its general partner, ETP GP LLC, will ultimately be responsible for the business and operations of SXL. Therefore, the board of directors and officers of ETP GP LLC will make decisions on SXL s behalf. SXL expects that the directors and executive officers of SXL GP immediately prior to the merger will continue in leading management roles of ETP GP LLC after the mergers, except that (i) Kelcy L. Warren, Chief Executive Officer of ETP, is expected to become the Chief Executive Officer of SXL, (ii) Marshall S. (Mackie) McCrea, III, Group Chief Operating Officer and Chief Commercial Officer of ETE, is expected to become the Chief Commercial Officer of SXL, (iii) Matthew S. Ramsey, President and Chief Operating Officer of ETP, is expected to become the President of SXL, and (iv) Thomas E. Long, Chief Financial Officer of ETP, is expected to become the Chief Financial Officer of SXL. SXL also expects that Michael J. Hennigan, the current President and Chief Executive Officer of SXL, and other members of the SXL management team will continue in leading management roles of the combined company with the current SXL business operations continuing to be headquartered in Philadelphia.

Listing of SXL Common Units; Delisting and Deregistration of ETP Common Units

SXL common units are currently listed on the NYSE under the ticker symbol SXL. It is a condition to closing that the SXL common units to be issued in the merger to ETP unitholders be approved for listing on the NYSE, subject to official notice of issuance. Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and apply to continue the listing of its common units on the NYSE under the symbol ETP.

ETP common units are currently listed on the NYSE under the ticker symbol ETP. If the merger is completed, ETP common units will cease to be listed on the NYSE and will be deregistered under the Exchange Act. Following the consummation of the merger, it is expected that ETP will change its name to Energy Transfer, LP.

Ownership of SXL After the Merger

SXL will issue approximately million SXL common units to former ETP unitholders pursuant to the merger. Further, the number of SXL common units outstanding will increase after the date of this proxy

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statement/prospectus if SXL sells additional common units to the public. Based on the number of SXL common units outstanding as of the date of this proxy statement/prospectus, immediately following the completion of the merger, SXL expects to have approximately million common units outstanding. ETP unitholders are therefore expected to hold approximately % of the aggregate number of SXL common units outstanding immediately after the merger and approximately % of SXL s total units of all classes. Holders of SXL common units (similarly to holders of ETP common units) are not entitled to elect SXL s general partner or the directors of the SXL Board and have only limited voting rights on matters affecting SXL s business. Please read Comparison of Rights of SXL Unitholders and ETP Unitholders for additional information.

Restrictions on Sales of SXL Common Units Received in the Merger

SXL common units issued in the merger will not be subject to any restrictions on transfer arising under the Securities Act or the Exchange Act, except for SXL common units issued to any ETP unitholder who may be deemed to be an affiliate of SXL after the completion of the merger. This proxy statement/prospectus does not cover resales of SXL common units received by any person upon the completion of the merger, and no person is authorized to make any use of this proxy statement/prospectus in connection with any resale.

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PROPOSAL 1: THE MERGER AGREEMENT

The following describes the material provisions of the merger agreement and the amendment thereto, a composite copy of which, incorporating the amendment into the text of the initial agreement, is attached as Annex A to this proxy statement/prospectus and incorporated by reference herein. The description in this section and elsewhere in this proxy statement/prospectus is qualified in its entirety by reference to the merger agreement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. SXL and ETP encourage you to read carefully the merger agreement in its entirety before making any decisions regarding the mergers as it is the legal document governing the mergers.

The merger agreement and this summary of its terms have been included to provide you with information regarding the terms of the merger agreement. Factual disclosures about SXL, ETP or any of their respective subsidiaries or affiliates contained in this proxy statement/prospectus or their respective public reports filed with the SEC may supplement, update or modify the factual disclosures about SXL, ETP or their respective subsidiaries or affiliates contained in the merger agreement and described in this summary. The representations, warranties and covenants made in the merger agreement by SXL and ETP were qualified and subject to important limitations agreed to by SXL and ETP in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of allocating risk between the parties to the merger agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to unitholders and reports and documents filed with the SEC and in some cases were qualified by confidential disclosures that were made by each party to the other, which disclosures are not reflected in the merger agreement or otherwise publicly disclosed. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement/prospectus. For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone.

The Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, the merger agreement provides for the merger of SXL Merger Sub LP with and into ETP, with ETP surviving the merger as a wholly owned subsidiary of SXL, but ETP will cease to be a publicly traded limited partnership. ETP, which is sometimes referred to following the merger as the surviving entity, will survive the merger, and the separate limited partnership existence of SXL Merger Sub LP will cease. After the completion of the merger, the certificate of limited partnership of ETP in effect immediately prior to the effective time and as amended by the certificate of merger will remain unchanged and will be the certificate of limited partnership of the surviving entity from and after the effective time, and thereafter may be amended in accordance with its terms or by applicable law. In addition, after the completion of the merger, the ETP partnership agreement will remain unchanged (except to the extent the ETP partnership agreement is amended to reflect the admission of SXL Merger Sub as the sole general partner of ETP) and will be the agreement of limited partnership of the surviving entity from and after the effective time, and thereafter may be amended in accordance with its terms or by applicable law.

The merger agreement also provides, subject to the terms and conditions of the merger agreement and in accordance with Delaware law and Pennsylvania law, for the merger of SXL GP with and into ETP GP, with ETP GP surviving the GP merger as the general partner of SXL. ETP GP, which is sometimes referred to following the GP merger as the GP surviving entity, will survive the GP merger, and the separate limited liability company existence of SXL GP will

cease. Upon the completion of the GP merger, the certificate of limited

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partnership of ETP GP in effect immediately prior to the GP merger effective time will be the certificate of limited partnership of the GP surviving entity from and after the GP merger effective time, and thereafter may be amended in accordance with its terms or by applicable law. In addition, upon the completion of the GP merger, the limited partnership agreement of ETP GP in effect immediately prior to the GP merger effective time will remain unchanged and will be the limited partnership agreement of the GP surviving entity from and after the GP merger effective time, and thereafter may be amended in accordance with its terms or by applicable law.

Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and apply to continue the listing of its common units on the NYSE under the symbol ETP, and that ETP will change its name to Energy Transfer, LP.

Effective Time; Closing

The effective time of the merger will be at such time that ETP files with the Secretary of State of the State of Delaware a certificate of merger, executed in accordance with the relevant provisions of the Delaware LP Act or at such other date or time as is agreed to by SXL and ETP and specified in the certificate of merger. The effective time of the GP merger will be at such time that ETP GP files with the Secretary of State of the State of Delaware and the Secretary of State of the State of Pennsylvania a certificate of merger, executed in accordance with the relevant provisions of the Delaware LP Act and the Pennsylvania Limited Liability Company Law, or such other date or time as is agreed to by ETP GP and SXL GP and specified in the certificates of merger.

Unless the parties agree otherwise, the closing of the mergers will occur at 9:00 a.m., Eastern Time, on the second business day after the satisfaction or waiver of the conditions to the merger provided in the merger agreement (other than conditions that by their nature are to be satisfied at the closing of the merger, but subject to the satisfaction or waiver of those conditions), or at such other date or time as SXL and ETP agree. For further discussion of the conditions to the merger, see Conditions to Consummation of the Mergers.

SXL and ETP currently expect to complete the mergers shortly following the conclusion of the meeting, subject to receipt of required unitholder and regulatory approvals and to the satisfaction or waiver of the other conditions to the transactions contemplated by the merger agreement described below.

Conditions to Consummation of the Mergers

SXL and ETP may not complete the mergers unless each of the following conditions is satisfied or waived, if waiver is permitted by applicable law:

- the merger agreement and the transactions contemplated thereby must have been adopted by the affirmative vote or consent of the holders of at least a majority of the outstanding ETP common units and Series A, units voting together as a single class;

- any waiting period applicable to the merger under the HSR Act must have been terminated or expired, and any approval or consent under any other applicable antitrust law must have been obtained;

no law, injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any governmental authority will be in effect enjoining, restraining, preventing or prohibiting the consummation of the transactions contemplated by the merger agreement or making the consummation of such transactions illegal;

the registration statement of which this proxy statement/prospectus forms a part must have been declared effective by the SEC and must not be subject to any stop order or proceedings initiated or threatened by the SEC;

the SXL common units to be issued in the merger must have been approved for listing on the NYSE, subject to official notice of issuance;

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ETP having received an opinion of its counsel, Latham & Watkins LLP, to the effect that at least 90% of the gross income of ETP for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code; and

SXL having received an opinion of its counsel, Vinson & Elkins L.L.P., to the effect that (i) at least 90% of the gross income of SXL for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code and (ii) at least 90% of the combined gross income of each of SXL and ETP for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code.

The obligations of SXL, SXL Merger Sub and SXL Merger Sub LP to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of ETP and ETP GP in the merger agreement being true and correct in all respects both when made and at and as of the date of the closing of the merger, except to the extent expressly made as of an earlier date, in which case as of such date, except where the failure of such representations and warranties to not be so true and correct (without giving effect to any limitation as to material adverse effect or materiality contained in any individual representation or warranty), does not have and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on ETP (apart from certain identified representations and warranties (i) that there will not have been a material adverse effect on ETP from December 31, 2015 through the closing date, with respect to the authority to execute the merger agreement and consummate the transactions contemplated thereby and that the adoption of the merger agreement by the affirmative vote or consent of the holders of at least a majority of the outstanding ETP common units and Series A units, voting together as a single class, is the only approval of the holders of any equity interests in ETP that is required for approval of the transactions contemplated by the merger agreement, which in each case must be true and correct in all respects, and (ii) with respect to ETP s capitalization, which must be true and correct in all respects other than immaterial misstatements and omissions);

ETP and ETP GP having performed, in all material respects, all obligations required to be performed by them under the merger agreement;

the receipt of an officer s certificate executed by an executive officer of ETP GP certifying that the two preceding conditions have been satisfied;

SXL having received an opinion of its counsel, Vinson & Elkins L.L.P., to the effect that for U.S. federal income tax purposes (i) SXL should not recognize any income or gain as a result of the merger (other than

any gain resulting from a disguised sale attributable to contributions of cash or other property to SXL after the date of the merger agreement and prior to the effective time of the merger) and (ii) no gain or loss should be recognized by holders of SXL common units as a result of the merger (other than any gain resulting from (A) any decrease in partnership liabilities pursuant to Section 752 of the Code and (B) a disguised sale attributable to contributions of cash or other property to SXL after the date of the merger agreement and prior to the effective time of the merger); and

ETP GP, as the GP surviving entity and the successor to SXL GP as general partner of SXL, having executed and delivered to SXL a joinder agreement by which ETP GP agrees to assume the rights and duties of the general partner of SXL under the SXL partnership agreement and to be bound by the provisions thereof.

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The obligations of ETP and ETP GP to effect the merger are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of SXL, SXL GP, SXL Merger Sub and SXL Merger Sub LP in the merger agreement being true and correct in all respects both when made and at and as of the date of the closing of the merger, except to the extent expressly made as of an earlier date, in which case as of such date, except where the failure of such representations and warranties to be so true and correct (without giving effect to any limitation as to material adverse effect or materiality contained in any individual representation or warranty), does not have and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on SXL (apart from certain identified representations and warranties (i) providing that there will not have been a material adverse effect on SXL from December 31, 2015 through the closing date and with respect to the authority to execute the merger agreement and consummate the transactions contemplated thereby, which must be true and correct in all respects, and (ii) with respect to SXL s capitalization, which must be true and correct in all respects other than immaterial misstatements and omissions);

- SXL, SXL GP, SXL Merger Sub and SXL Merger Sub LP having performed, in all material respects, all obligations required to be performed by them under the merger agreement;

- the receipt of an officer s certificate executed by an executive officer of SXL GP and an authorized signatory of SXL Merger Sub LP certifying that the two preceding conditions have been satisfied;

- ETP having received an opinion of its counsel, Latham & Watkins LLP, to the effect that for U.S. federal income tax purposes (i) ETP should not recognize any income or gain as a result of the merger and (ii) no gain or loss should be recognized by holders of ETP common units as a result of the merger (other than any gain resulting from the distribution of cash or from any decrease in partnership liabilities pursuant to Section 752 of the Code); and

- SXL GP having executed and delivered to ETP the SXL partnership agreement, dated effective as of the effective time of the merger.

For purposes of the merger agreement, the term material adverse effect means, when used with respect to a party to the merger agreement, any change, effect, event or occurrence that, individually or in the aggregate, (x) has had or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of such party or its subsidiaries, taken as a whole, or (y) prevents or materially impedes, interferes with or hinders the consummation of the transactions contemplated by the merger agreement, including the merger, on or before the outside date; *provided*, *however*, that any adverse changes, effects, events or occurrences resulting from or due to any of the following will be disregarded in determining whether there has been a material adverse effect: (i) changes, effects, events or occurrences generally affecting the United States or global economy, the financial, credit, debt, securities or other capital markets or political, legislative or regulatory conditions or changes in the industries in which such party operates; (ii) the announcement or pendency of the merger agreement or the transactions contemplated thereby or the performance of the merger agreement (including, for the avoidance of doubt, performance of the parties reasonable best efforts obligations under the merger agreement in connection with obtaining regulatory

approval); (iii) any change in the market price or trading volume of the limited partner interests, shares of common stock or other equity securities of such party (it being understood and agreed that the foregoing will not preclude any other party to the merger agreement from asserting that any facts or occurrences giving rise to or contributing to such change that are not otherwise excluded from the definition of material adverse effect should be deemed to constitute, or be taken into account in determining whether there has been, or would reasonably be expected to be, a material adverse effect); (iv) acts of war or terrorism (or the escalation of the foregoing) or natural disasters or other force majeure events; (v) changes in any laws or regulations applicable to such party or applicable accounting regulations or principles or the interpretation thereof; (vi) any legal proceedings commenced by or involving any current or former member, partner or unitholders of such party (on their own or on behalf of such party) arising out of or related to the merger agreement or the transactions contemplated thereby; (vii) changes, effects, events or occurrences generally affecting the prices of oil, natural gas, natural gas liquids or coal or other commodities; (viii) any

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failure of a party to meet any internal or external projections, forecasts or estimates of revenues, earnings or other financial or operating metrics for any period (it being understood and agreed that the foregoing will not preclude any other party to the merger agreement from asserting that any facts or occurrences giving rise to or contributing to such failure that are not otherwise excluded from the definition of material adverse effect should be deemed to constitute, or be taken into account in determining whether there has been, or would reasonably be expected to be, a material adverse effect); and (ix) the taking of any action required by the merger agreement; *provided*, *however*, that changes, effects, events or occurrences referred to in clauses (i), (iv), (v) and (vii) above will be considered for purposes of determining whether there has been or would reasonably be expected to be a material adverse effect if and to the extent such state of affairs, changes, effects, events or occurrences has had or would reasonably be expected to have a disproportionate adverse effect on such party and its subsidiaries, taken as a whole, as compared to other companies of similar size operating in the industries in which such party and its subsidiaries operate.

ETP Unitholder Approval

ETP has agreed to hold a special meeting of its unitholders as soon as is practicable after the date of the merger agreement for the purpose of such unitholders voting on the adoption of the merger agreement and the transactions contemplated thereby. Unless terminated pursuant to its terms, the merger agreement requires ETP to submit the merger agreement to a unitholder vote (i) even if the ETP Board no longer recommends adoption of the merger agreement and (ii) irrespective of the commencement, public proposal, public disclosure or communication to ETP of any alternative proposal (as described below). In addition, unless the ETP Board has effected an adverse recommendation change in accordance with the merger agreement as described in Change in ETP Board Recommendation, ETP has agreed to use reasonable best efforts to solicit from its unitholders proxies in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof. The ETP Board has approved the merger agreement and the transactions contemplated thereby and authorized that the merger agreement be submitted to the unitholders of ETP for their consideration.

For purposes of the merger agreement, the term alternative proposal means any inquiry, proposal or offer from any person or group (as defined in Section 13(d) of the Exchange Act), other than SXL, its subsidiaries and their respective affiliates, relating to any (i) direct or indirect acquisition (whether in a single transaction or a series of related transactions), of assets of ETP and its subsidiaries equal to 15% or more of ETP s consolidated assets or to which 15% or more of ETP s revenues or earnings on a consolidated basis are attributable, (ii) direct or indirect acquisition (whether in a single transaction or a series of related transactions) of beneficial ownership (within the meaning of Section 13 under the Exchange Act) of 15% or more of any class of equity securities of ETP, (iii) tender offer or exchange offer that if consummated would result in any person or group (as defined in Section 13(d) of the Exchange Act) beneficially owning 15% or more of any class of equity securities of ETP or (iv) merger, consolidation, unit exchange, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving ETP or any of its subsidiaries which is structured to permit any person or group (as defined in Section 13(d) of the Exchange Act) to acquire beneficial ownership of at least 15% of ETP s consolidated assets, net income, net expenses, revenue or equity interests; in each case, other than the transactions contemplated by the merger agreement.

No Solicitation by ETP of Alternative Proposals

The merger agreement contains detailed provisions prohibiting ETP from seeking an alternative proposal to the merger. Under these no solicitation provisions, ETP has agreed that it will not, and will cause its subsidiaries not to, and use its reasonable best efforts to cause its and its subsidiaries directors, officers, employees, investment bankers, financial advisors, attorneys, accountants, agents and other representatives not to, directly or indirectly:

solicit, initiate, knowingly facilitate, knowingly encourage (including by way of furnishing confidential information) or knowingly induce or take any other action intended to lead to any inquiries or any proposals that constitute or could reasonably be expected to lead to an alternative proposal;

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grant any waiver or release of any standstill or similar agreement with respect to any units of ETP or of any of its subsidiaries; or

except as permitted by the merger agreement, enter into any confidentiality agreement, merger agreement, letter of intent, agreement in principle, unit purchase agreement, asset purchase agreement or unit exchange agreement, option agreement or other similar agreement relating to an alternative proposal.

In addition, the merger agreement requires ETP and its subsidiaries to (i) cease and cause to be terminated any discussions or negotiations with any persons conducted prior to the execution of the merger agreement regarding an alternative proposal, (ii) request the return or destruction of all confidential information previously provided to any such persons and (iii) immediately prohibit any access by any persons (other than SXL and its representatives) to any physical or electronic data room relating to a possible alternative proposal.

Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances at any time prior to ETP unitholders voting in favor of adopting the merger agreement, ETP may furnish information, including confidential information, with respect to it and its subsidiaries to, and participate in discussions or negotiations with, any third party that makes a written alternative proposal that the ETP Board (upon the recommendation of the ETP Conflicts Committee) believes is bona fide so long as (after consultation with its financial advisors and outside legal counsel) the ETP Board (upon the recommendation of the ETP Conflicts Committee) determines in good faith that (i) such alternative proposal constitutes or could reasonably be expected to lead to or result in a superior proposal, (ii) failure to furnish such information or participate in such discussions would be inconsistent with the ETP Board s duties under the ETP partnership agreement or applicable law and (iii) such alternative proposal did not result from a material breach of the no solicitation provisions in the merger agreement.

ETP has also agreed in the merger agreement that it (i) will promptly, and in any event within 24 hours after receipt, notify SXL of any alternative proposal or any request for information or inquiry with regard to any alternative proposal and the identity of the person making any such alternative proposal, request or inquiry (including providing SXL with copies of any written materials received from or on behalf of such person relating to such proposal, offer, request or inquiry) and (ii) will provide SXL with the terms, conditions and nature of any such alternative proposal, request or inquiry. In addition, ETP agrees to keep SXL reasonably informed of all material developments affecting the status and terms of any such alternative proposals, offers, inquiries or requests (and promptly provide SXL with copies of any written materials received by it or that it has delivered to any third party making an alternative proposal that relate to such proposals, offers, requests or inquiries) and of the status of any such discussions or negotiations.

The merger agreement permits ETP or the ETP Board to issue a stop, look and listen communication pursuant to Rule 14d-9(f) or comply with Rule 14d-9 and Rule 14e-2 under the Exchange Act if the ETP Board determines in good faith (after consultation with outside legal counsel) that the failure to take such action would be reasonably likely to constitute a violation of applicable law.

For purposes of the merger agreement, a superior proposal means a *bona fide* unsolicited written offer, obtained after the date of the merger agreement and not in breach of ETP s no solicitation obligations described above (other than an immaterial breach), to acquire, directly or indirectly, 80% or more of the outstanding equity securities of ETP or 80% or more of the assets of ETP and its subsidiaries on a consolidated basis, made by a third party (other than ETE or any of its affiliates), which is on terms and conditions that the ETP Board determines in its good faith to be (i) reasonably capable of being consummated in accordance with its terms, taking into account legal, regulatory, financial, financing and timing aspects of the proposal, and (ii) if consummated, more favorable to ETP s unitholders (in their capacity as unitholders) from a financial point of view than the transactions contemplated by the merger agreement, taking into account at the time of such determination any changes to the terms of the merger agreement that as of that time had

been committed to by SXL in writing.

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Change in ETP Board Recommendation

The merger agreement provides that ETP will not, and will cause its subsidiaries and use reasonable best efforts to cause its representatives not to, directly or indirectly, withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to SXL, the recommendation of the ETP Board that its unitholders adopt the merger agreement or publicly recommend the approval or adoption of, or publicly approve or adopt, or propose to publicly recommend, approve or adopt, any alternative proposal, or fail to recommend against acceptance of any tender offer or exchange offer for ETP units within ten business days after commencement of such offer, or resolve or agree to take any of the foregoing actions. In addition, subject to certain limitations, if ETP receives an alternative proposal it will, within five business days of receipt of a written request from SXL, publicly reconfirm the recommendation of the ETP Board that its unitholders adopt the merger agreement and ETP may not unreasonably withhold, delay (beyond the five business day period) or condition such public reconfirmation.

ETP s taking or failing to take, as applicable, any of the actions described above is referred to as an adverse recommendation change.

Notwithstanding the terms described above or any other term of the merger agreement to the contrary, subject to the conditions described below, the ETP Board and the ETP Conflicts Committee may, at any time prior to the adoption of the merger agreement by the ETP unitholders, effect an adverse recommendation change in response to either (i) an alternative proposal constituting a superior proposal or (ii) a changed circumstance that was not known to or reasonably foreseeable by the ETP Board prior to the date of the merger agreement, in each case if the ETP Board, upon the recommendation of the ETP Conflicts Committee and after consultation with its outside legal counsel and financial advisors, determines in good faith that the failure to take such action would be inconsistent with its duties under the ETP partnership agreement or applicable law, and the following conditions have been met:

- if the ETP Board intends to effect such adverse recommendation change in response to an alternative proposal:
  - such alternative proposal is bona fide, in writing and has not been withdrawn or abandoned;
  - the ETP Board (upon the recommendation of the ETP Conflicts Committee) has determined, after consultation with its outside legal counsel and financial advisors, that such alternative proposal constitutes a superior proposal after giving effect to the adjustments offered by SXL pursuant to the fifth bullet below;
  - ETP has provided prior written notice to SXL of the intention of the ETP Board to effect an adverse recommendation change, and such notice has specified the identity of the person making such alternative proposal, the material terms and conditions of such alternative proposal, and complete copies of any written proposal or offers (including proposed agreements) received by ETP in connection with such alternative proposal;

during the period that commences on the date of delivery of the above-described notice and ends on the date that is the fifth calendar day following the date of such delivery, ETP must have (1) negotiated with SXL in good faith to make such adjustments to the terms and conditions of the merger agreement as would permit the ETP Board not to effect an adverse recommendation change and (2) kept SXL reasonably informed with respect to the status and changes in the material terms and conditions of such alternative proposal or other change in circumstances related thereto; provided, that any material revisions to such alternative proposal (including any change in the purchase price) will require delivery of a subsequent notice and a subsequent notice period, except that such subsequent notice period will expire upon the later of (x) the end of the initial notice period and (y) the date that is the third calendar day following the date of the delivery of such subsequent notice; and

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the ETP Board must have considered all revisions to the terms of the merger agreement irrevocably offered in writing by SXL and, at the end of the notice period, must have determined in good faith that (i) such alternative proposal continues to constitute a superior proposal and (ii) failure to effect an adverse recommendation change would be inconsistent with its duties under the ETP partnership agreement or applicable law, in each case even if such revisions were to be given effect; or

if the ETP Board intends to effect such adverse recommendation change in response to a changed circumstance:

ETP has provided prior written notice to SXL of the intention of the ETP Board to effect an adverse recommendation change, and such notice has specified the details of such changed circumstance and the reasons for the adverse recommendation change;

during the period that commences on the date of delivery of the above-described notice and ends on the date that is the fifth calendar day following the date of such delivery, ETP must have (i) negotiated with SXL in good faith to make such adjustments to the terms and conditions of the merger agreement as would permit the ETP Board not to effect an adverse recommendation change and (ii) kept SXL reasonably informed of any change in circumstances related thereto; and

the ETP Board must have considered all revisions to the terms of the merger agreement irrevocably offered in writing by SXL and, at the end of the notice period, must have determined in good faith (upon the recommendation of the ETP Conflicts Committee) that the failure to effect an adverse recommendation change would be inconsistent with its duties under the ETP partnership agreement or applicable law even if such revisions were to be given effect.

As used in the merger agreement, a changed circumstance means a material event, circumstance, effect, condition, change or development, in each case that arises or occurs after the date of the merger agreement and was not, prior to the date of the merger agreement, known to or reasonably foreseeable by the ETP Board and did not result from or arise out of the announcement or pendency of, or any actions required to be taken by (or to be refrained from being taken by) ETP pursuant to the merger agreement; provided, however, that in no event shall the following events, circumstances, or changes in circumstances constitute a changed circumstance: (i) any change in the price or change in trading volume, of the common units or the fact that ETP meets or exceeds internal or published projections, budgets, forecasts or estimates of revenues, earnings or other financial results for any period (provided, however, that the exception to this clause (i) shall not apply to the underlying causes giving rise to or contributing to such change or prevent any of such underlying causes from being taken into account in determining whether a changed circumstance has occurred) or (ii) any matters generally affecting the industry in which ETP operates as a whole that have not had or would not reasonably be expected to have a disproportionate effect on ETP and/or its subsidiaries.

Merger Consideration

The merger agreement provides that, at the effective time, each ETP common unit issued and outstanding or deemed issued and outstanding as of immediately prior to the effective time will be converted into the right to receive 1.5 SXL common units. Each Class E, Class G, Class I, Class J, and Class K unit issued and outstanding as of immediately prior to the effective time will be converted into a unit representing a limited partner interest in SXL, which constitutes a share of a new class of units in SXL containing provisions substantially equivalent to the respective

provisions set forth in the ETP partnership agreement governing such units. Each Series A unit issued and outstanding as of immediately prior to the effective time will be converted into the right to receive an SXL preferred unit representing a limited partner interest in SXL, which constitutes a share of a new class of units in SXL containing provisions substantially equivalent to the provisions set forth in the ETP partnership agreement governing Series A units without abridgement, including the same powers, preferences, rights to distributions, rights to accumulation and compounding upon failure to pay distributions, and relative

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participating, optional or other special rights and the qualifications, limitations or restrictions thereon, that the Series A units have immediately prior to the closing, subject to adjustment in accordance with the ETP partnership agreement.

SXL will not issue any fractional units in the merger. Instead, all fractional SXL units that a holder of ETP common units would otherwise be entitled to receive as consideration for the merger will be aggregated and then, if a fractional SXL unit results from that aggregation, be rounded up to the nearest whole SXL unit.

Treatment of Restricted Units and Cash Units

Under the merger agreement, equity-based awards that are outstanding as of the effective time, including awards held by ETP s directors and executive officers, will be treated at the effective time as follows:

Restricted Units. Each outstanding award of ETP restricted units will, as of the effective time, by virtue of the merger and without any action on the part of the holder of any such ETP restricted units, cease to relate to or represent a right to receive ETP common units and will be converted into a right to receive an award of SXL restricted units, on the same terms and conditions as were applicable to the corresponding award of ETP restricted units (including the right to receive distribution equivalents with respect to such award), except that the number of SXL restricted units covered by each such award will be equal to the number of ETP common units subject to the corresponding award of ETP restricted units multiplied by the exchange ratio, rounded up to the nearest whole unit. With respect to each ETP restricted unit, any distribution equivalent amounts accrued but unpaid as of the closing will carry over and be paid to the holder as soon as practicable following the closing.

Cash Units. Each outstanding award of ETP cash units will, automatically and without any action on the part of the holder of such cash unit, be converted into the right to receive an award of restricted cash units relating to SXL common units on the same terms and conditions as were applicable to the award of ETP cash units, except that the number of notional SXL common units related to the award will be equal to the number of notional ETP common units related to the corresponding award of ETP cash units multiplied by the exchange ratio, rounded up to the nearest whole unit. Prior to the effective time, the ETP Board will adopt an amendment to the ETP cash unit plan to permit the treatment of ETP cash units as provided in the merger agreement.

Treatment of General Partner Interest; Incentive Distribution Rights and Class H Units

In connection with the mergers, ETP GP will transfer the 0.7% general partner interest in ETP to SXL Merger Sub and SXL Merger Sub will assume the rights and duties of the general partner of ETP. As a result of the merger and the related transactions, the 100% limited partner interest in SXL Merger Sub LP will convert into a 99.3% limited partner interest in ETP, the non-economic general partner interest in SXL Merger Sub LP will be cancelled and SXL Merger Sub will become the general partner of ETP, holding a 0.7% general partner interest. In addition, the incentive distribution rights in ETP and the Class H units outstanding immediately prior to the effective time will be cancelled.

Adjustments to Prevent Dilution

Prior to the effective time, each of the exchange ratio, the Series A unit consideration, the SXL Class E units, the SXL Class G units, the SXL Class I units, the SXL Class J units and the SXL Class K units will be appropriately adjusted to reflect fully the effect of any unit dividend, subdivision, reclassification, recapitalization, split, split-up, unit distribution, combination, exchange of units or similar transaction and to provide the holders of ETP common units, Series A units, Class E units, Class G units, Class I units, Class J units and Class K units the same economic effect as contemplated by the merger agreement prior to such event.

Withholding

SXL and the exchange agent will be entitled to deduct and withhold from the merger consideration otherwise payable to any person pursuant to the merger agreement such amounts as are required to be deducted

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and withheld with respect to the making of such payment under the Code, or under any provision of applicable U.S. federal, state, local or non-U.S. tax law. To the extent that deduction and withholding is required, such deduction and withholding may be taken in SXL common units. To the extent withheld, such withheld SXL common units will be treated as having been paid to the person in respect of whom such withholding was made.

Distributions

No distributions with respect to SXL common units or SXL preferred units issued in the merger will be paid to the holder of any unsurrendered certificates or book-entry units until such certificates or book-entry units are surrendered. Following such surrender, there will be paid, without interest, to the record holder of SXL common units or SXL preferred units issued in exchange therefor (i) at the time of such surrender, all distributions payable in respect of any such SXL common units or SXL preferred units, as applicable, with a record date after the effective time and a payment date on or prior to the date of such surrender and not previously paid and (ii) at the appropriate payment date, the distributions payable with respect to such SXL common units and SXL preferred units with a record date after the effective time but with a payment date subsequent to such surrender. For purposes of distributions in respect of SXL common units and SXL preferred units, all SXL common units and SXL preferred units to be issued pursuant to the merger will be entitled to distributions as if issued and outstanding as of the effective time.

Regulatory Matters

See The Merger Regulatory Approvals and Clearances Required for the Merger for a description of the material regulatory requirements for the completion of the merger.

SXL and ETP have agreed to (including to cause their respective subsidiaries to) use their reasonable best efforts to resolve any objections that a governmental authority or any other person may assert under antitrust laws with respect to the merger, and to avoid or eliminate each and every impediment under any antitrust law that may be asserted by any governmental authority with respect to the merger, in each case, so as to enable the closing of the mergers to occur as promptly as practicable and in any event no later than the outside date. Notwithstanding the foregoing, SXL and ETP have agreed not to commit to any disposal, hold separate of other restriction related to its or its subsidiaries businesses, operations or assets without the other party s prior written consent.

Termination of the Merger Agreement

SXL or ETP may terminate the merger agreement at any time prior to the effective time, whether before or after the ETP unitholders have approved the merger agreement, by mutual written consent.

In addition, either SXL or ETP may terminate the merger agreement at any time prior to the effective time by written notice to the other party:

- if the merger has not been consummated on or before the outside date; provided, that the right to terminate the merger agreement if the merger has not been consummated on or before the outside date will not be available to a party (i) if the inability to satisfy the conditions to closing was due to the failure of such party to perform any of its obligations under the merger agreement or (ii) if the other party has filed (and is then pursuing) an action seeking specific performance to enforce the obligations under the merger agreement;

if any governmental authority has issued a final and nonappealable law, injunction, judgment or ruling that enjoins or otherwise prohibits the consummation of the transactions contemplated by the merger agreement or makes the transactions contemplated by the merger agreement illegal; *provided*, *however*, that the right to terminate for this reason will not be available if the prohibition was due to the failure of the terminating party to perform any of its obligations under the merger agreement; or

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if the ETP unitholders do not adopt the merger agreement at the special meeting of ETP unitholders called for such purpose or any adjournment or postponement of such meeting.

In addition, SXL may terminate the merger agreement:

if an adverse recommendation change by the ETP Board shall have occurred;

if prior to the adoption of the merger agreement by ETP unitholders, ETP is in willful breach of its obligations to (i) duly call, give notice of and hold a special meeting of ETP unitholders for the purpose of obtaining unitholder approval of the merger agreement, use its reasonable best efforts to solicit proxies from the ETP unitholders in favor of such adoption and, through the ETP Board, recommend the adoption of the merger agreement to ETP unitholders or (ii) comply with the requirements applicable to the other party described under No Solicitation by ETP of Alternative Proposals ; *provided*, that the right to terminate the merger agreement for this reason will not be available to SXL if it is then in material breach of any of its representations, warranties, covenants or agreements under the merger agreement; or

if there is a breach by ETP of any of its representations, warranties, covenants or agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice from SXL of such breach; *provided* that SXL will not have the right to terminate the merger agreement for this reason if SXL is then in material breach of any of its representations, warranties, covenants or agreements contained in the merger agreement.

In addition, ETP may terminate the merger agreement:

if there is a breach by SXL of any of its representations, warranties, covenants or agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice from ETP of such breach; *provided* that ETP will not have the right to terminate the merger agreement for this reason if ETP is then in material breach of any of its representations, warranties, covenants or agreements contained in the merger agreement; or

prior to the adoption of the merger agreement by ETP unitholders, in order to enter into (concurrently with such termination) any agreement, understanding or arrangement providing for a superior proposal in accordance with ETP s obligation to comply with the requirements described under No Solicitation by ETP of Alternative Proposals, including payment of the termination fee.

In some cases, termination of the merger agreement will require ETP to reimburse up to $30.0 million of SXL s expenses and pay a termination fee to SXL (less any expenses of SXL and its affiliates previously reimbursed by ETP), as described below under Termination Fee and Expenses. Following payment of the termination fee, ETP will not be obligated to pay any additional expenses incurred by SXL or its affiliates.

Termination Fee

The merger agreement provides that ETP is required to pay a termination fee to SXL of $630.0 million, less any expenses of SXL previously reimbursed by ETP, as described below under Expenses, to SXL:

if (i) an alternative proposal was publicly proposed or publicly disclosed prior to, and not withdrawn at the time of, the date of the special meeting of ETP unitholders called for the purpose of adopting the merger agreement (or, if the special meeting of ETP unitholders did not occur, prior to the date on which the merger agreement was terminated as a result of the failure to consummate the merger prior to the outside date), (ii) the merger agreement is terminated by either party (A) as a result of the failure to consummate the merger prior to the outside date or (B) because the merger agreement was not adopted at the special meeting of ETP unitholders called for such purpose and (iii) ETP enters into a

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definitive agreement with respect to, or consummates, any alternative proposal during the 12-month period following the date on which the merger agreement is terminated (whether or not such alternative proposal is the same alternative proposal referred to in clause (i)); *provided*, that for purposes of the payment of the termination fee described above, the term alternative proposal has the meaning provided under ETP Unitholder Approval, except that the references to 15% or more will be deemed to be references to 50% or more;

if SXL terminates the merger agreement due to:

an adverse recommendation change having occurred;

ETP being, prior to the adoption of the merger agreement by ETP unitholders, in willful breach of its obligations to (i) duly call, give notice of and hold a special meeting of its unitholders for the purpose of obtaining unitholder approval of the merger agreement, use its reasonable best efforts to solicit proxies from unitholders in favor of such adoption and, through the ETP Board, recommend the adoption of the merger agreement to ETP unitholders or (ii) comply with the requirements described under No Solicitation by ETP of Alternative Proposals ; or

the merger agreement not being adopted by the ETP common and Series A unitholders at a special meeting called for such purpose where an adverse recommendation change has occurred; or

if ETP terminates the merger agreement:

because the merger agreement was not adopted by ETP unitholders at a special meeting of ETP unitholders called for such purpose in a case where an adverse recommendation change has occurred; or

prior to the receipt of the ETP unitholder approval, in order to enter into (concurrently with such termination) any agreement, understanding or arrangement providing for a superior proposal.

Expenses

Generally, all fees and expenses incurred in connection with the transactions contemplated by the merger agreement will be the obligation of the party incurring such fees and expenses.

In addition, ETP is required to pay the expenses of SXL in the event that the merger agreement is terminated:

by ETP or SXL because the merger agreement was not adopted by ETP unitholders at a special meeting of ETP unitholders (or if ETP terminates the merger agreement pursuant to another termination right at a time when the agreement was terminable for this reason); or

by SXL because ETP is in willful breach of its obligations to (i) duly call, give notice of and hold a special meeting of ETP s unitholders for the purpose of obtaining unitholder approval of the merger agreement, use its reasonable best efforts to solicit proxies from unitholders in favor of such adoption and, through the ETP Board, recommend the adoption of the merger agreement to ETP s unitholders or (ii) comply with the requirements described under No Solicitation by ETP of Alternative Proposals.

In such case, ETP promptly, but in no event later than three business days after receipt of an invoice therefor from SXL, will be required to pay SXL s designee all of the reasonably documented out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, financing sources, hedging counterparties, experts and consultants) incurred by SXL and its affiliates in connection with the merger agreement and the transactions contemplated thereby, up to a maximum amount of $30.0 million. In no event will ETP be required to make any such payment if, at the time of such termination, the merger agreement was terminable by it because there is a breach by SXL of any of its representations, warranties, covenants or

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agreements in the merger agreement such that certain closing conditions would not be satisfied, or if capable of being cured, such breach has not been cured within 30 days following delivery of written notice of such breach. Following payment of the termination fee, ETP will not be obligated to pay any additional expenses incurred by SXL or its affiliates.

Conduct of Business Pending the Consummation of the Merger

Under the merger agreement, each of SXL and ETP has undertaken certain covenants that place restrictions on it and its respective subsidiaries from the date of the merger agreement until the earlier of the termination of the merger agreement in accordance with its terms and the effective time, unless the other party gives its prior written consent (which, in certain instances, cannot be unreasonably withheld, conditioned or delayed). In general, each party has agreed to (i) cause its respective business to be conducted in the ordinary course of business consistent with past practice, (ii) use commercially reasonable efforts to preserve intact its respective business organization, (iii) use commercially reasonable efforts to keep in full force and effect all material permits and insurance policies maintained by it, its subsidiaries and its joint ventures, other than changes to such policies made in the ordinary course of business and (iv) use commercially reasonable efforts to comply in all material respects with all applicable laws and the requirements of its respective material contracts.

Subject to certain exceptions set forth in the merger agreement and the disclosure schedules delivered by ETP to SXL in connection with the merger agreement, unless SXL consents in writing (which consent cannot be unreasonably withheld, conditioned or delayed), ETP will not, and will not permit any of its subsidiaries or joint ventures to, among other things, undertake the following actions:

- sell, transfer, lease, farmout or otherwise dispose of any properties or assets that (i) do not generate cash on a recurring basis and have a fair market value in excess of $100.0 million in the aggregate (except (A) pursuant to certain contracts listed in the disclosure schedules, (B) dispositions of obsolete or worthless equipment that is replaced with comparable or better equipment, (C) transactions in the ordinary course of business consistent with past practice or (D) sales or transfers to ETP or its subsidiaries) and (ii) generate cash on a recurring basis (including securities of ETP s subsidiaries);

- make any capital expenditures (which includes, among others, any investments by contribution to capital) in excess of $400.0 million in the aggregate other than certain capital expenditures set forth on the disclosure schedules or as may be reasonably required to conduct emergency operations or repairs of any well, pipeline or other facility;

- directly or indirectly acquire (i) any entity, division, business or equity interest of any third party or, (ii) except in the ordinary course of business consistent with past practice, any assets that, in the aggregate, have a purchase price in excess of $200.0 million;

- make any loans or advances to any person other than (i) to its employees in the ordinary course of business consistent with past practice, (ii) loans and advances to ETP or its subsidiaries and (iii) trade credit granted in the ordinary course of business consistent with past practice;

(i) except for in connection with certain contracts relating to indebtedness or commodity derivative instruments entered into in compliance with ETP s risk management policy and (other than in the case of non-competition agreements) as in the ordinary course of business consistent with past practice, enter into material contracts (other than those already contemplated as of the date of the merger agreement or as are approved as part of any previously announced project of an ETP joint venture) in which the annual revenues or payments are anticipated to be in excess of $400.0 million, or terminate or amend in any material respect any material ETP contract, or (ii) (A) waive any material rights under any material ETP contract, (B) enter into or extend the term or scope of any material ETP contract that materially restricts ETP or any of its subsidiaries from engaging in any line of business or in any geographic area, (C) enter into any material ETP contract that would be breached by, or require the consent of any third party in order to continue in full force following, consummation of the transactions

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contemplated by the merger agreement or (D) release any person from, or modify or waive any provision of, any standstill or confidentiality agreement related to a sale of ETP or any of its material subsidiaries;

adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization, merger, consolidation or other reorganization (other than transactions between wholly owned subsidiaries of ETP);

except as provided under any agreement entered into prior to the date of the merger agreement, pay, discharge, settle or satisfy any suit, action, claims or proceeding, in excess of $20.0 million individually or $40.0 million in the aggregate; or

take any action which would in any material respect impede or delay the ability of the parties to satisfy any of the conditions to the transactions contemplated by the merger agreement, in each case to a date after the outside date.

ETP has further agreed that, subject to certain exceptions in the merger agreement and the disclosure schedules delivered by ETP to SXL in connection with the merger agreement ETP will not, and will not permit any of its subsidiaries or joint ventures to, among other things, undertake the following actions without the consent of SXL (which consent may be withheld in SXL s sole discretion):

issue, sell, grant, dispose of, accelerate the vesting of or modify, any ownership or other limited partner interests in ETP, voting securities or equity interests, or any securities convertible into or exchangeable for ownership or other interests in ETP, voting securities or equity interests, other than (i) in connection with the vesting or settlement of any equity or equity-based award that is outstanding on, or granted after, the date of the merger agreement in accordance with the terms of such award, (ii) in connection with the granting of any awards under the ETP equity plans or the ETP cash unit plan in the ordinary course of business, (iii) issuances of Class K units with the powers, preferences, rights and obligations as set forth in Amendment No. 15 to the ETP partnership agreement and (iv) issuances of common units upon the conversion of the Series A units to common units in accordance with the ETP partnership agreement;

redeem, purchase or otherwise acquire any of ETP s partnership interests, voting securities or equity interests, other than tax withholding with respect to any equity or equity-based award that is outstanding on, or granted after, the date of the merger agreement and in accordance with the terms of such awards;

declare, set aside for payment or pay any distribution on any ETP common units, Series A units or other partnership interests, or otherwise make any payments to ETP unitholders in their capacity as such, other than distributions by a subsidiary of ETP to its parent;

split, combine, subdivide or reclassify any ETP common units, Series A units or other partnership interests in ETP;

incur, refinance or assume any indebtedness for borrowed money or guarantee any such indebtedness for borrowed money or issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of ETP or any of its subsidiaries or joint ventures, except that ETP may:

- borrow under ETP s existing credit facility (and to the extent such credit facility is increased);
- in addition to borrowings under the preceding bullet, borrow additional amounts up to $200.0 million; and
- borrow from or repay a subsidiary, and ETP s subsidiaries may borrow from or repay ETP;

prepay or repurchase any long-term indebtedness for borrowed money or debt securities of ETP or any of its subsidiaries, other than revolving indebtedness, borrowings from ETP to a subsidiary and repayments or repurchases required pursuant to the terms of such indebtedness or debt securities;

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except in the ordinary course of business or as required by applicable law, (i) change its fiscal year or any method of tax accounting, (ii) make, change or revoke any material tax election, (iii) settle or compromise any material liability for taxes or (iv) file any material amended tax return;

make any changes in financial accounting methods, principles or practices (or change an annual accounting period), except insofar as may be required by a change in GAAP or applicable law;

amend ETP s certificate of limited partnership or the ETP partnership agreement; or

engage in any activity or conduct its business in a manner that would cause less than 90% of the gross income of ETP for any calendar quarter since its formation and prior to the effective time to be treated as qualifying income within the meaning of Section 7704(d) of the Code.

Subject to certain exceptions set forth in the merger agreement and the disclosure schedules delivered by SXL to ETP in connection with the merger agreement, unless ETP consents in writing (which consent cannot be unreasonably withheld, conditioned or delayed), SXL has agreed to certain restrictions limiting the ability of it and its subsidiaries to, among other things:

make any capital expenditures (which includes, among others, any investments by contribution to capital) in excess of $150.0 million in the aggregate other than certain capital expenditures set forth on the disclosure schedules or as may be reasonably required to conduct emergency operations or repairs of any well, pipeline or other facility;

(i) except for in connection with certain contracts relating to indebtedness or commodity derivative instruments entered into in compliance with SXL s risk management policy and (other than in the case of non-competition agreements) as in the ordinary course of business consistent with past practice, enter into material contracts or terminate or amend in any material respect any material SXL contract or (ii) (A) waive any material rights under any material SXL contract, (B) enter into or extend the term or scope of any material SXL contract that materially restricts SXL or any of its subsidiaries from engaging in any line of business or in any geographic area, (C) enter into any material SXL contract that would be breached by, or require the consent of any third party in order to continue in full force following, consummation of the transactions contemplated by the merger agreement or (D) release any person from, or modify or waive any provision of, any standstill or confidentiality agreement related to a sale of SXL or any of its material subsidiaries;

amend SXL s certificate of limited partnership or the SXL partnership agreement (other than amendments (i) in connection with any SXL acquisition transaction or (ii) that are approved by the general partner or a SXL unit majority); or

adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization (other than transactions exclusively between wholly owned subsidiaries of SXL).

SXL has further agreed that, subject to certain exceptions in the merger agreement and the disclosure schedules delivered by SXL to ETP in connection with the merger agreement SXL will not, and will not permit any of its subsidiaries or joint ventures to, among other things, undertake the following actions without the consent of ETP (which consent may be withheld in ETP s sole discretion):

issue, sell, grant, dispose of, accelerate the vesting of or modify any limited partner interests in SXL, voting securities or equity interests, or any securities convertible into or exchangeable for limited partner interests in SXL, other than (i) in connection with the vesting or settlement of any equity or equity-based award that is outstanding on the date of the merger agreement or thereafter granted in accordance with their terms, (ii) issuances of up to $200.0 million in connection with a transaction involving the acquisition of assets or equity interests and (iii) issuances exceeding $200.0 million in connection with a transaction involving the acquisition of assets or equity interests as to which the SXL Board has received an opinion from a nationally recognized investment banking firm to the effect that

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such transaction is fair, from a financial point of view, to the SXL unitholders (any transaction described in clauses (ii) or (iii), a SXL acquisition transaction);

redeem, purchase or otherwise acquire any of SXL s outstanding partnership interests, voting securities or equity interests, other than tax withholding with respect to, equity or equity-based awards outstanding on the date of the merger agreement or thereafter granted in accordance with their terms;

declare, set aside for payment or pay any distribution on any SXL common units, or otherwise make any payments to SXL s unitholders in their capacity as such other than (i) distributions by a direct or indirect subsidiary of SXL to its parent, (ii) SXL s regular quarterly distribution and associated distributions to SXL GP or (iii) distributions in connection with a parent acquisition transaction;

split, combine, subdivide or reclassify any SXL partnership units or other interests;

incur, refinance or assume any indebtedness for borrowed money or guarantee any such indebtedness for borrowed money or issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of SXL or any of its subsidiaries or joint ventures, except that SXL may:

borrow under SXL s existing credit facility (and to the extent such credit facility is increased);

in addition to borrowings under the preceding bullet, borrow additional amounts up to $200.0 million; and

borrow from or repay a subsidiary, and SXL s subsidiaries may borrow from or repay SXL;

prepay or repurchase any long-term indebtedness for borrowed money or debt securities of SXL or any of its subsidiaries, other than revolving indebtedness, borrowings from SXL to a subsidiary and repayments or repurchases required pursuant to the terms of such indebtedness or debt securities;

except in the ordinary course of business or as required by applicable law, (i) change its fiscal year or any method of tax accounting, (ii) make, change or revoke any material tax election, (iii) settle or compromise any material liability for taxes or (iv) file any material amended tax return;

make, or permit any of its subsidiaries to make, any acquisition of any other person or business that would reasonably be expected to prevent, materially impede or materially delay the consummation of the merger; or

engage in any activity or conduct its business in a manner that would cause less than 90% of the gross income of SXL for any calendar quarter since its formation and prior to the effective time to be treated as qualifying income within the meaning of Section 7704(d) of the Code.

Indemnification; Directors and Officers Insurance

The merger agreement provides that, from and after the effective time, SXL and the GP surviving entity will, to the fullest extent permitted by law, indemnify and hold harmless, and provide advancement and reimbursement of expenses to, all past and present directors and officers of SXL, SXL GP, ETP, ETP GP or any of their respective subsidiaries, to the fullest extent that SXL, SXL GP or any of their respective subsidiaries would be permitted to indemnify such indemnified persons.

In addition, from and after the effective time and as provided by the merger agreement, SXL and the GP surviving entity will honor the provisions regarding the elimination of liability of directors, indemnification of officers, directors and employees and advancement of expenses contained in the governing instruments of SXL or ETP GP and any subsidiary of SXL or ETP GP immediately prior to the effective time and ensure that the organizational documents of SXL and the GP surviving entity will, for a period of six years following the effective time, contain provisions no less favorable with respect to indemnification, advancement of expenses and exculpation than are presently set forth in such governing instruments. SXL and the GP surviving entity will maintain in effect for six years from the effective time of the merger the current directors and officers liability insurance policies covering acts or omissions occurring at or prior to the effective time with respect to such

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indemnified persons, so long as SXL and the GP surviving entity are not required to expend more than an amount per year equal to 300% of current annual premiums paid by SXL or SXL GP for such insurance. SXL or SXL GP may, in its sole discretion prior to the effective time, purchase a tail policy with respect to acts or omissions occurring or alleged to have occurred prior to the effective time that were committed or alleged to have been committed by any past and present directors, officers and employees of SXL, SXL GP or any of their respective subsidiaries in their capacity as such, so long as the cost of such policy does not exceed six times an amount equal to 300% of the current annual premiums paid by SXL or SXL GP for directors and officers liability insurance policies and, if such a tail policy is purchased, SXL and the GP surviving entity will have no further obligations with respect to maintaining directors and officers liability insurance.

Financing Matters

The merger agreement provides that ETP consents to SXL s use of and reliance on any audited or unaudited financial statements relating to ETP and its consolidated subsidiaries, any ETP joint ventures or entities or businesses acquired by ETP reasonably requested by SXL to be used in any financing or other activities of SXL, including any filings that SXL desires to make with the SEC. In addition, ETP will use commercially reasonable efforts, at SXL s sole cost and expense, to obtain the consents of any auditor to the inclusion of the financial statements referenced above in appropriate filings with the SEC. Prior to the closing, ETP will provide such assistance (and will cause its subsidiaries and its and their respective personnel and advisors to provide such assistance), as SXL may reasonably request in order to assist SXL in connection with financing activities, including any public offerings to be registered under the Securities Act or private offerings. Such assistance will include, but not be limited to, the following: (i) providing such information, and making available such personnel as SXL may reasonably request; (ii) participation in, and assistance with, any marketing activities related to such financing; (iii) participation by senior management of ETP in, and their assistance with, the preparation of rating agency presentations and meetings with rating agencies; (iv) taking such actions as are reasonably requested by SXL or its financing sources to facilitate the satisfaction of all conditions precedent to obtaining such financing; and (v) taking such actions as may be required to permit any cash and marketable securities of ETP or SXL to be made available to finance the transactions contemplated by the merger agreement at the effective time.

SXL Amended and Restated Partnership Agreement

In conjunction with the merger, SXL GP will amend and restate the current SXL partnership agreement, providing for, among other things, (i) the reduction by ETE, as the indirect holder of SXL s incentive distribution rights following the consummation of the merger, of quarterly distributions in such amounts as correspond to the reductions in ETP s incentive distribution rights set forth in the ETP partnership agreement prior to the consummation of the merger, (ii) the creation and issuance of the SXL preferred units and Class E, Class G, Class I, Class J, and Class K units, (iii) a change in the definition of Operating Surplus in the SXL partnership agreement to provide that such term will include an amount equal to the accumulated and undistributed operating surplus of ETP as of the closing of the merger and (iv) the admission of ETP GP as the general partner of SXL.

Amendment and Waiver

At any time prior to the effective time, whether before or after adoption of the merger agreement by ETP unitholders, the parties may, by written agreement and by action taken or authorized by the ETP Board and the SXL Board, amend the merger agreement; *provided*, *however*, that the ETP Board and the SXL Board may not take or authorize any such action unless it has first referred such action to the ETP Conflicts Committee and the SXL Conflicts Committee, as applicable, for its consideration, and permitted the ETP Conflicts Committee and the SXL Conflicts Committee, as applicable, not less than two business days to make a recommendation to the ETP Board and the SXL Board, as

applicable, with respect thereto (for the avoidance of doubt, the ETP Board and the SXL Board will in no way be obligated to follow the recommendation of the ETP Conflicts Committee and the SXL Conflicts Committee, as applicable, and the ETP Board and the SXL Board, as applicable, will be

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permitted to take action following the expiration of such two business day period); provided, however, that in the event the ETP Board or SXL Board takes or authorizes an action that is counter to any recommendation by the ETP Conflicts Committee or the SXL Conflicts Committee, as applicable, then the ETP Conflicts Committee or the SXL Conflicts Committee, as applicable, may rescind its approval of the merger agreement, with such rescission resulting in the rescission of special approval under Section 7.9 of the ETP partnership agreement or the SXL partnership agreement, as applicable. Following approval of the merger and the other transactions contemplated by the merger agreement by ETP unitholders, no amendment or change to the provisions of the merger agreement will be made which by law would require further approval by ETP unitholders, without such approval.

Unless otherwise expressly set forth in the merger agreement, whenever a determination, decision, approval or consent of ETP or the ETP Board or of SXL or the SXL Board is required pursuant to the merger agreement, such determination, decision, approval or consent must be authorized by the ETP Board and the SXL Board, as applicable; *provided*, *however*, that the ETP Board and the SXL Board, as applicable, may not take or authorize any such action unless it has first referred such action to the ETP Conflicts Committee and the SXL Conflicts Committee, as applicable, for its consideration, and permitted the ETP Conflicts Committee and the SXL Conflicts Committee, as applicable, not less than two business days to make a recommendation to the ETP Board and the SXL Board, as applicable, with respect thereto (for the avoidance of doubt, the ETP Board and the SXL Board, as applicable, will in no way be obligated to follow the recommendation of the ETP Conflicts Committee or the SXL Conflicts Committee, as applicable, and the ETP Board and the SXL Board, as applicable, will be permitted to take action following the expiration of such two business day period).

At any time prior to the effective time, any party to the merger agreement may, to the extent legally allowed: (i) waive any inaccuracies in the representations and warranties of any other party contained in the merger agreement; (ii) extend the time for the performance of any of the obligations or acts of any other party provided for in the merger agreement; or (iii) waive compliance by any other party with any of the agreements or conditions contained in the merger agreement, as permitted under the merger agreement; *provided, however*, that in the event the ETP Board or the SXL Board takes or authorizes any action under this provision or otherwise grants any consent under the merger agreement without the concurrence of the ETP Conflicts Committee or the SXL Conflicts Committee, as applicable, then the ETP Conflicts Committee or the SXL Conflicts Committee, as applicable, may rescind its approval of the merger agreement, with such rescission resulting in the rescission of special approval under Section 7.9 of the ETP partnership agreement or the SXL partnership agreement, as applicable.

Remedies; Specific Performance

The merger agreement provides that, in the event ETP pays the termination fee (described under Termination Fee) to SXL when required, ETP will have no further liability to SXL or SXL GP. Notwithstanding any termination of the merger agreement, the merger agreement provides that nothing in the agreement (other than payment of the termination fee) will relieve any party from any liability for any failure to consummate the transactions when required pursuant to the merger agreement or any party from liability for fraud or a willful breach of any covenant or agreement contained in the merger agreement. The merger agreement also provides that the parties are entitled to obtain an injunction to prevent breaches of the merger agreement and to specifically enforce the merger agreement. In the event that SXL receives the termination fee, SXL may not seek any award of specific performance under the merger agreement.

Representations and Warranties

The merger agreement contains representations and warranties made by ETP and SXL. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

may be intended not as statements of fact or of the condition of the parties to the merger agreement or their respective subsidiaries, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

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have been qualified by disclosures that were made to the other party in connection with the negotiation of the merger agreement, which disclosures may not be reflected in the merger agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

were made only as of the date of the merger agreement or such other date or dates as may be specified in the merger agreement and are subject to more recent developments.

The representations and warranties made by both ETP and SXL relate to, among other things:

organization, formation, standing, power and similar matters;

capital structure;

approval and authorization of the merger agreement and the transactions contemplated by the merger agreement and any conflicts created by such transactions;

required consents and approvals of governmental authorities in connection with the transactions contemplated by the merger agreement;

documents filed with the SEC, financial statements included in those documents and regulatory reports filed with governmental authorities;

absence of certain changes or events from December 31, 2015 through the date of the merger agreement and from the date of the merger agreement through the closing date;

legal proceedings;

compliance with applicable laws and permits;

information supplied in connection with this proxy statement/prospectus;

tax matters;

environmental matters;

contracts of each party;

property;

brokers and other advisors;

state takeover statutes;

regulatory matters; and

absence of additional representations and warranties.

Additional representations and warranties made only by ETP relate to, among other things:

employee benefits;

labor matters;

intellectual property;

insurance; and

opinion of financial advisor.

Distributions

The merger agreement provides that, from the date of the merger agreement until the effective time, each of SXL and ETP will coordinate with the other regarding the declaration of any distributions in respect of SXL

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units, ETP common units and Series A units. The merger agreement also provides that holders of ETP common units and Series A units will receive, for any quarter, either: (i) only distributions in respect of ETP common units or Series A units or (ii) only distributions in respect of SXL common units or SXL preferred units, as applicable, that they receive in exchange therefor in the merger.

ETE s Obligation to Vote ETP Units

Under the terms of the merger agreement, ETE has agreed to vote all ETP limited partner interests then owned beneficially or of record by it or any of its subsidiaries in favor of the approval of the merger agreement and the merger and the approval of any actions required in furtherance thereof. ETE consents to, and has caused or will cause, to the extent necessary and to the extent permitted by the organizational documents thereof, each of its subsidiaries to consent to, the merger agreement, the SXL partnership agreement and the transactions contemplated by the merger agreement. As of , 2017, ETE and its subsidiaries collectively held ETP common units, representing approximately % of the ETP units entitled to vote on the merger.

In addition, ETP has agreed to consent, in its capacity as the sole member of SXL GP, to SXL s entry into the merger agreement, the SXL partnership agreement and the transactions contemplated by the merger agreement.

Additional Agreements

The merger agreement also contains covenants relating to cooperation in the preparation of this proxy statement/prospectus and additional agreements relating to, among other things, access to information, notice of specified matters and public announcements. The merger agreement also obligates SXL to have SXL common units to be issued in connection with the merger approved for listing on the NYSE, subject to official notice of issuance, prior to the date of the consummation of the merger.

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SUNOCO LOGISTICS PARTNERS L.P.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information of SXL reflects the pro forma impacts of SXL s proposed merger with ETP. Under the terms of the merger agreement, holders of ETP common units will receive 1.5 SXL common units for each ETP common unit.

SXL is currently a consolidated subsidiary of ETP for financial accounting and reporting purposes and has been reflected as such in ETP s historical consolidated financial statements since October 5, 2012. For accounting purposes, the merger will result in ETP being considered the surviving consolidated entity, rather than SXL, which is the surviving consolidated entity for legal and reporting purposes. Subsequent to the proposed merger, SXL will present consolidated financial statements that reflect the historical consolidated financial statements of ETP. The proposed merger will be accounted for as an equity transaction and will be reflected in the consolidated financial statements as ETP s acquisition of SXL s noncontrolling interest. The carrying amounts of SXL s and ETP s assets and liabilities will not be adjusted, nor will a gain or loss be recognized as a result of the merger.

The unaudited pro forma condensed consolidated balance sheet gives effect to the merger as if it had occurred on September 30, 2016, while the unaudited pro forma condensed consolidated statements of operations give effect to the merger as if it had occurred on January 1, 2015. The unaudited pro forma condensed consolidated balance sheet and condensed consolidated statements of operations should be read in conjunction with (i) SXL s Annual Report on Form 10-K for the year ended December 31, 2015, (ii) ETP s Annual Report on Form 10-K for the year ended December 31, 2015, (iii) SXL s Quarterly Report on Form 10-Q for the period ended September 30, 2016, and (iv) ETP s Quarterly Report on Form 10-Q for the period ended September 30, 2016.

The unaudited pro forma condensed consolidated financial statements are for illustrative purposes only and are not necessarily indicative of the financial results that would have occurred if the merger had been consummated on the dates indicated, nor are they necessarily indicative of the financial position or results of operations in the future. The pro forma adjustments, as described in the accompanying notes, are based upon available information and certain assumptions that are believed to be reasonable as of the date of this proxy statement/prospectus.

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Sunoco Logistics Partners L.P.

Unaudited Pro Forma Condensed Consolidated Balance Sheets

September 30, 2016

(in millions)

	ETP Historical	Pro Forma Adjustments		SXL Pro Forma for Merger
ASSETS				
Current assets:				
Cash and cash equivalents	$ 377	$ (25)	**a**	$ 352
Accounts receivable, net	2,668			2,668
Accounts receivable from related companies	144			144
Inventories	1,604			1,604
Derivative assets	30			30
Other current assets	658			658
Total current assets	5,481	(25)		5,456
Property, plant and equipment, net	49,082			49,082
Advances to and investments in unconsolidated affiliates	4,648			4,648
Non-current derivative assets	11			11
Other non-current assets, net	581			581
Intangible assets, net	3,985			3,985
Goodwill	4,139			4,139
Total assets	$ 67,927	$ (25)		$ 67,902

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Sunoco Logistics Partners L.P.

Unaudited Pro Forma Condensed Consolidated Balance Sheets

September 30, 2016

(in millions)

	ETP Historical	Pro Forma Adjustments		SXL Pro Forma for Merger
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	$ 2,509	$		$ 2,509
Accounts payable to related companies	19			19
Derivative liabilities	259			259
Accrued and other current liabilities	2,179			2,179
Current maturities of long-term debt	1,216			1,216
Total current liabilities	6,182			6,182
Long-term debt, less current maturities	29,182			29,182
Long-term notes payable related companies	83			83
Non-current derivative liabilities	160			160
Deferred income taxes	4,438			4,438
Other non-current liabilities	919			919
Commitments and contingencies				
Series A Preferred Units	33			33
Redeemable noncontrolling interests	15			15
Equity:				
General Partner	223			223
Limited Partners:				
Common Unitholders	15,665	(25)	**a**	25,160
		9,520	**b**	
Class H Unitholder	3,478	(3,478)	**b**	
Class I Unitholder	2			2
Accumulated other comprehensive (loss)	(4)			(4)
Total partners capital	19,364	4,881		25,381
Noncontrolling interest	7,551	(6,042)	**b**	1,509
Total equity	26,915	(25)		26,890
Total liabilities and equity	$ 67,927	$ (25)		$ 67,902

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Sunoco Logistics Partners L.P.

Unaudited Pro Forma Condensed Consolidated Statements of Operations

For the Nine Months Ended September 30, 2016

(in millions, except per unit data)

	ETP Historical	Pro Forma Adjustments		SXL Pro Forma for Merger
Revenues	$ 15,301	$		$ 15,301
Costs and expenses:				
Cost of products sold	10,529			10,529
Operating expenses	1,110			1,110
Depreciation, depletion and amortization	1,469			1,469
Selling, general and administrative	226			226
Total costs and expenses	13,334			13,334
Operating income	1,967			1,967
Other income (expense):				
Interest expense, net of interest capitalized	(981)			(981)
Equity in earnings of unconsolidated affiliates	260			260
Impairment of investment in unconsolidated affiliate	(308)			(308)
Losses on interest rate derivatives	(179)			(179)
Other, net	96			96
Income before income tax benefit	855			855
Income tax benefit	(131)			(131)
Net income	$ 986	$		$ 986
Allocation of net income:				
General Partner	$ 749	$ (33)	**c**	$ 716
Common Unitholders	(272)	464	**c**	192
Class H Unitholder	257	(257)	**c**	
Class I Unitholder	6			6
Other securities	15			15
Noncontrolling Interests	231	(174)	**c**	57
	$ 986	$		$ 986
Net income (loss) per common unit:				
Basic	$ (0.54)			$ 0.20

Diluted	$ (0.54)	$ 0.20	
Weighted average number of common units outstanding:			
Basic	499.8	968.7	**d**
Diluted	499.8	970.2	**d**

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Sunoco Logistics Partners L.P.

Unaudited Pro Forma Condensed Consolidated Statements of Operations

For the Year Ended December 31, 2015

(in millions, except per unit data)

	ETP Historical	Pro Forma Adjustments		SXL Pro Forma for Merger
Revenues	$ 34,292	$		$ 34,292
Costs and expenses:				
Cost of products sold	27,029			27,029
Operating expenses	2,261			2,261
Depreciation, depletion and amortization	1,929			1,929
Selling, general and administrative	475			475
Impairment losses	339			339
Total costs and expenses	32,033			32,033
Operating income	2,259			2,259
Other income (expense):				
Interest expense, net of interest capitalized	(1,291)			(1,291)
Equity in earnings of unconsolidated affiliates	469			469
Losses on extinguishments of debt	(43)			(43)
Losses on interest rate derivatives	(18)			(18)
Other, net	22			22
Income before income tax benefit	1,398			1,398
Income tax benefit	(123)			(123)
Net income	$ 1,521	$		$ 1,521
Allocation of net income:				
General Partner	$ 1,069	$ (135)	**c**	$ 934
Common Unitholders	(39)	475	**c**	436
Class H Unitholder	258	(258)	**c**	
Class I Unitholder	94			94
Other securities	16			16
Noncontrolling Interests	157	(82)	**c**	75
Predecessor	(34)			(34)
	$ 1,521	$		$ 1,521

Net income (loss) per common unit:			
Basic	$ (0.09)	$ 0.52	
Diluted	$ (0.10)	$ 0.52	
Weighted average number of common units outstanding:			
Basic	432.8	830.8	**d**
Diluted	433.5	835.6	**d**

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Sunoco Logistics Partners L.P.

Notes to Unaudited Pro Forma Financial Information

The unaudited pro forma condensed consolidated financial statements are for illustrative purposes only and are not necessarily indicative of the financial results that would have occurred if the merger had been consummated on the dates indicated, nor are they necessarily indicative of the financial position or results of operations in the future. The pro forma adjustments, as described in the accompanying notes, are based upon available information and certain assumptions that are believed to be reasonable as of the date of this proxy statement/prospectus.

Pro Forma Adjustments

Following is a description of the pro forma adjustments made to the combined historical financial statements of SXL and ETP:

a. Pro forma adjustment to reflect the payment of an estimated $25 million of incremental transaction costs related to the proposed merger, including advisory, legal, accounting and other professional fees and expenses. Such fees and expenses will be recognized in the statement of operations when incurred; however, the estimated expenses are not reflected in the pro forma statements of operations included herein.

b. Pro forma adjustments to reflect the cancellation of the ETP Class H units in accordance with the merger agreement and the reclassification to common unitholders capital of the noncontrolling interest in SXL.

c. Pro forma adjustments to reflect the changes in net income allocation for purposes related to (i) the changes in the general partner s ownership interest and changes in incentive distribution rights in connection with the merger, (ii) the cancellation of the ETP Class H units in accordance with the merger agreement, and (iii) the elimination of the noncontrolling interest in SXL.

d. Pro forma weighted average common units outstanding reflects (i) SXL s weighted average limited partner units outstanding for the respective periods, plus (ii) the assumed exchange of ETP common units for SXL common units, based on the weighted average of ETP common units outstanding during the respective periods multiplied by the exchange rate of 1.5, minus (iii) the elimination of 67.1 million SXL common units and 9.4 million SXL Class B units, which are held by ETP. Pro forma diluted weighted average common units outstanding reflects the dilutive impact of unvested equity awards currently outstanding under the long-term incentive plans of SXL and ETP.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following is a discussion of the material U.S. federal income tax consequences of the merger that may be relevant to ETP common unitholders. Unless otherwise noted, the legal conclusions set forth in the discussion relating to the consequences of the merger to ETP and its common unitholders are the opinion of Latham & Watkins LLP, counsel to ETP, as to the material U.S. federal income tax consequences relating to those matters. This discussion is based upon current provisions of the Code, existing and proposed Treasury regulations promulgated under the Code (the Treasury Regulations) and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

This discussion does not purport to be a complete discussion of all U.S. federal income tax consequences of the merger. Moreover, the discussion focuses on ETP common unitholders who are individual citizens or residents of the United States (for U.S. federal income tax purposes) and has only limited application to corporations, estates, trusts, nonresident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, employee benefit plans, foreign persons, financial institutions, insurance companies, real estate investment trusts (REITs), individual retirement accounts (IRAs), mutual funds, traders in securities that elect mark-to-market, persons who hold ETP common units (who will hold SXL common units after the merger) as part of a hedge, straddle or conversion transaction, persons who acquired ETP common units by gift, or directors and employees of ETP that received (or are deemed to receive) ETP common units as compensation or through the exercise (or deemed exercise) of options, unit appreciation rights, phantom units or restricted units granted under an ETP equity incentive plan. Also, the discussion assumes that the ETP common units are held as capital assets at the time of the merger (generally, property held for investment).

Neither ETP nor SXL has sought a ruling from the IRS with respect to any of the tax consequences discussed below, and the IRS would not be precluded from taking positions contrary to those described herein. As a result, no assurance can be given that the IRS will agree with all of the tax characterizations and the tax consequences described below. Some tax aspects of the merger are not certain, and no assurance can be given that the below-described opinions and/or the statements contained herein with respect to tax matters would be sustained by a court if contested by the IRS. Furthermore, the tax treatment of the merger may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

Accordingly, SXL and ETP strongly urge each ETP unitholder to consult with, and depend upon, such unitholder s own tax advisor in analyzing the U.S. federal, state, local and foreign tax consequences particular to the unitholder of the merger.

Tax Opinions Required as a Condition to Closing

No ruling has been or will be requested from the IRS with respect to the tax consequences of the merger. Instead, SXL and ETP will rely on the opinions of their respective counsel regarding the tax consequences of the merger.

It is a condition of SXL s obligation to complete the merger that SXL receive an opinion of its counsel, Vinson & Elkins L.L.P., to the effect that for U.S. federal income tax purposes:

- SXL should not recognize any income or gain as a result of the merger (other than any gain resulting from a disguised sale attributable to contributions of cash or other property to SXL after the date of the merger

agreement and prior to the effective time of the merger) and

no gain or loss should be recognized by holders of SXL common units as a result of the merger (other than any gain resulting from (A) any decrease in partnership liabilities pursuant to Section 752 of the Code and (B) a disguised sale attributable to contributions of cash or other property to SXL after the date of the merger agreement and prior to the effective time of the merger).

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It is a condition of ETP s obligation to complete the merger that ETP receive an opinion of its counsel, Latham & Watkins LLP, to the effect that for U.S. federal income tax purposes:

- ETP should not recognize any income or gain as a result of the merger and
- no gain or loss should be recognized by holders of ETP common units as a result of the merger (other than any gain resulting from the distribution of cash or from any decrease in partnership liabilities pursuant to Section 752 of the Code).

It is a condition of each of SXL s and ETP s obligation to complete the merger that:

- SXL receive an opinion from its counsel, Vinson & Elkins L.L.P., to the effect that:
  - at least 90% of the gross income of SXL for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code and
  - at least 90% of the combined gross income of each of SXL and ETP for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code; and
- ETP receive an opinion from its counsel, Latham & Watkins LLP, to the effect that at least 90% of the gross income of ETP for all of the calendar year that immediately precedes the calendar year that includes the closing date and each calendar quarter of the calendar year that includes the closing date for which the necessary financial information is available is from sources treated as qualifying income within the meaning of Section 7704(d) of the Code.

The opinions of counsel will assume that the merger will be consummated in the manner contemplated by, and in accordance with, the terms set forth in the merger agreement and described in this proxy statement/prospectus. In addition, the tax opinions delivered to SXL and ETP at closing will be based upon certain factual assumptions and representations made by the officers of SXL, SXL GP, ETP, ETP GP and any of their respective affiliates. If either SXL or ETP waives the receipt of the requisite tax opinion as a condition to closing and the changes to the tax consequences would be material, then this proxy statement/prospectus will be amended and recirculated and unitholder approval will be resolicited. Unlike a ruling, an opinion of counsel represents only that counsel s best legal judgment and does not bind the IRS or the courts. Accordingly, no assurance can be given that the above-described opinions will be sustained by a court if contested by the IRS.

Assumptions Related to the U.S. Federal Income Tax Treatment of the Merger

The expected U.S. federal income tax consequences of the merger are dependent upon SXL and ETP being treated as partnerships for U.S. federal income tax purposes at the time of the merger. If SXL or ETP were to be treated as a corporation for U.S. federal income tax purposes at the time of the merger, the consequences of the merger would be materially different. If SXL were to be treated as a corporation for U.S. federal income tax purposes, the merger would likely be a fully taxable transaction to ETP common unitholders.

The discussion below assumes that each of SXL and ETP will be classified as a partnership for U.S. federal income tax purposes at the time of the merger. Please read the discussion of the opinion of Vinson & Elkins L.L.P. that SXL is classified as a partnership for U.S. federal income tax purposes and the discussion of the opinion of Latham & Watkins LLP that ETP is classified as a partnership for U.S. federal income tax purposes under U.S. Federal Income Tax Treatment of the Merger below.

Additionally, the discussion below assumes that all of the liabilities of SXL that are deemed assumed by ETP in the merger qualify for an exception to the disguised sale rules. SXL and ETP believe that such

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liabilities qualify for one or more of the exceptions to the disguised sale rules and intend to take the position that neither SXL nor ETP will recognize any income or gain as a result of the disguised sale rules (except a disguised sale attributable to contributions of cash or other property to SXL after the date of the merger agreement and prior to the effective time of the merger).

U.S. Federal Income Tax Treatment of the Merger

Upon the terms and subject to the conditions set forth in the merger agreement, SXL Merger Sub LP will merge with and into ETP, with ETP surviving the merger and becoming a wholly owned subsidiary of SXL, and all ETP common units will be converted into the right to receive SXL common units. Although for state law purposes ETP will become a wholly owned subsidiary of SXL in the merger, for U.S. federal income tax purposes, the merger is intended to be a merger of SXL and ETP within the meaning of Treasury Regulations promulgated under Section 708 of the Code, with ETP being treated as the continuing partnership and SXL being treated as the terminated partnership. As a result, each holder of SXL common units, including SXL common unitholders and the ETP common unitholders that will receive SXL common units in the merger, will be treated as a partner of ETP for U.S. federal income tax purposes following the merger.

As a result of ETP surviving the merger for U.S. federal income tax purposes, the following transactions will be deemed to occur for U.S. federal income tax purposes: (1) SXL will be deemed to contribute its assets to ETP in exchange for (i) the issuance to SXL of ETP units and (ii) the assumption of SXL s liabilities and (2) SXL will be deemed to liquidate, distributing ETP units to the SXL unitholders in exchange for such SXL units (the Assets-Over Form).

The remainder of this discussion, except as otherwise noted, assumes that the merger and the transactions contemplated thereby will be treated for U.S. federal income tax purposes in the manner described above. For the purposes of this discussion, and based upon the factual representations made by SXL and SXL GP, Vinson & Elkins L.L.P. is of the opinion that SXL will be treated as a partnership for U.S. federal income tax purposes immediately preceding the merger. The representations made by SXL and SXL GP upon which Vinson & Elkins L.L.P. has relied in rendering its opinion include, without limitation: (1) neither SXL nor its operating company has elected or will elect to be treated, or is otherwise treated, as a corporation for U.S. federal income tax purposes and (2) for each taxable year of its existence, more than 90% of SXL s gross income has been and will be income of a character that Vinson & Elkins L.L.P. has opined is qualifying income within the meaning of Section 7704(d) of the Code. In addition, for the purposes of this discussion, and based upon the factual representations made by ETP and ETP GP, Latham & Watkins LLP is of the opinion that ETP will be treated as a partnership for U.S. federal income tax purposes immediately preceding the merger. The representations made by ETP and ETP GP upon which Latham & Watkins LLP has relied in rendering its opinion include, without limitation: (1) neither ETP nor any of its partnership or limited liability company subsidiaries, other than those identified as such to Latham & Watkins LLP, have elected or will elect to be treated as a corporation for U.S. federal income tax purposes, (2) for each taxable year of its existence, more than 90% of ETP s gross income has been and will be income of a type that Latham & Watkins LLP has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Code and (3) each commodity hedging transaction that ETP treats as resulting in qualifying income has been and will be appropriately identified as a hedging transaction pursuant to applicable Treasury Regulations, and has been and will be associated with oil, gas or products thereof that are held or to be held by ETP in activities that Latham & Watkins LLP has opined or will opine result in qualifying income.

Tax Consequences of the Merger to ETP and ETP Common Unitholders

Although for state law purposes ETP will become a wholly owned subsidiary of SXL in the merger, for U.S. federal income tax purposes ETP (rather than SXL) will be treated as the continuing partnership following the merger pursuant to Treasury Regulations promulgated under Section 708 of the Code. As a result, ETP should not recognize any income, gain or loss for U.S. federal income tax purposes as a result of the merger, and ETP

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common unitholders should not recognize any income, gain or loss with respect to the SXL common units that they receive as part of the exchange. However, ETP common unitholders may recognize income, gain or loss as a result of a net reduction in the share of nonrecourse liabilities allocated to such unitholder as a result of the merger.

Potential Taxable Gain to Certain ETP Common Unitholders from Reallocation of Nonrecourse Liabilities

As a partner in ETP, an ETP common unitholder must include the nonrecourse liabilities of ETP allocable to his or her ETP common units in the tax basis of such common units. The amount of nonrecourse liabilities allocable to each unitholder is determined under complex regulations under Section 752 of the Code. As a result of the merger, the allocable share of nonrecourse liabilities allocated to existing ETP common unitholders will be recalculated to take into account the combination of SXL and ETP into a single partnership for U.S. federal income tax purposes. Therefore, the merger may cause a net reduction in the allocable share of nonrecourse liabilities of an existing ETP common unitholder, which is referred to as a reducing debt shift. If an existing ETP common unitholder experiences a net reduction in such unitholder s share of nonrecourse liabilities as a result of the merger, such unitholder will be deemed to have received a cash distribution equal to the amount of the reduction and a corresponding basis reduction in such unitholder s units.

A reducing debt shift and the resulting deemed cash distribution may, under certain circumstances, result in the recognition of taxable gain by an ETP common unitholder to the extent the amount of the resulting deemed cash distribution exceeds such unitholder s tax basis in his or her ETP common units. However, an ETP common unitholder would not recognize taxable gain if such unitholder s tax basis in his or her ETP common units is positive without regard to any amount of basis associated with the unitholder s share of nonrecourse liabilities. If an existing ETP common unitholder has suspended passive losses with respect to his or her ETP common units, such unitholder may be able to offset all or a portion of any gain resulting from a reducing debt shift with such losses. Please read Material U.S. Federal Income Tax Consequences of SXL Common Unit Ownership Tax Consequences of Partnership Common Unit Ownership Limitation on Deductibility of Losses.

Tax Basis and Holding Period of ETP Common Units

Immediately prior to the merger, an ETP common unitholder s tax basis in his or her common units should equal the amount such unitholder paid for such ETP common units, (a) decreased, but not below zero, by distributions received by such unitholder from ETP and the aggregate amount of deductions, losses and nondeductible expenses (that are not required to be capitalized), that have been allocated by ETP to such unitholder and (b) increased by such unitholder s share of ETP s nonrecourse liabilities and the aggregate amount of income and gain allocated by ETP to such unitholder. Following the merger, each ETP common unitholder s share of ETP s nonrecourse liabilities will be recalculated. Any resulting increase or decrease in an ETP common unitholder s nonrecourse liabilities will result in a corresponding increase or decrease in such unitholder s adjusted tax basis in its ETP common units.

Although for state law purposes ETP will become a wholly owned subsidiary of SXL in the merger, for U.S. federal income tax purposes ETP (rather than SXL) will be treated as the continuing partnership following the merger. As such, an ETP common unitholder s holding period in his or her ETP common units will remain unchanged as a result of the merger.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF SXL COMMON UNIT OWNERSHIP

For state law purposes, ETP will become a wholly owned subsidiary of SXL in the merger and ETP common unitholders will become SXL common unitholders. For U.S. federal income tax purposes, however, ETP (rather than SXL) is expected to be treated as the continuing partnership in the merger. As a result, each holder of SXL common units, including SXL common unitholders and the ETP common unitholders that will receive SXL common units in the merger, will be treated as a partner of ETP for U.S. federal income tax purposes following the merger. For purposes of this summary, because former ETP common unitholders will become SXL common unitholders for state law purposes, we refer to the continuing partnership as SXL. Unless the context otherwise requires, references in this section to SXL include its operating subsidiaries, and references in this section to we and us are references to SXL and its operating subsidiaries. This section is based upon current provisions of the Code, existing and proposed Treasury Regulations and current administrative rulings and court decisions, all of which are subject to change. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

Legal conclusions contained in this section, unless otherwise noted, are the opinion of Vinson & Elkins L.L.P. and are based on the accuracy of representations made by us to them for this purpose. However, this section does not address all federal income tax matters that affect us or our unitholders and does not describe the application of the alternative minimum tax that may be applicable to certain unitholders. Furthermore, this section focuses on unitholders who are individual citizens or residents of the United States (for federal income tax purposes), who have the U.S. dollar as their functional currency, who use the calendar year as their taxable year, and who hold units as capital assets (generally, property that is held for investment). This section has limited applicability to corporations, partnerships (including entities treated as partnerships for federal income tax purposes), estates, trusts, non-resident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, non-U.S. persons, individual retirement accounts (IRAs), employee benefit plans, real estate investment trusts or mutual funds. ***Accordingly, we encourage each common unitholder to consult the unitholder s own tax advisor in analyzing the federal, state, local and non-U.S. tax consequences particular to that unitholder resulting from ownership or disposition of units and potential changes in applicable tax laws***.

We will rely on the opinions and advice of Vinson & Elkins L.L.P. with respect to the matters described herein. An opinion of counsel represents only that counsel s best legal judgment and does not bind IRS or a court. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any such contest of the matters described herein may materially and adversely impact the market for units and the prices at which our units trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution. Furthermore, the tax consequences of an investment in us may be significantly modified by future legislative or administrative changes or court decisions, which may be retroactively applied.

For the reasons described below, Vinson & Elkins L.L.P. has not rendered an opinion with respect to the following federal income tax issues: (1) the treatment of a unitholder whose units are the subject of a securities loan (e.g., a loan to a short seller to cover a short sale of units) (please read Tax Consequences of Unit Ownership Treatment of Securities Loans); (2) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (please read Disposition of Units Allocations Between Transferors and Transferees); and (3) whether our method for taking into account Section 743 adjustments is sustainable in certain cases (please read Tax Consequences of Unit Ownership Section 754 Election and Uniformity of Units).

Partnership Status

We expect to be treated as a partnership for U.S. federal income tax purposes and, therefore, generally will not be liable for entity-level federal income taxes. Instead, as described below, each of our common unitholders will take into account its respective share of our items of income, gain, loss and deduction in computing its

federal income tax liability as if the common unitholder had earned such income directly, even if we make no cash distributions to the common unitholder.

Section 7704 of the Code generally provides that a publicly traded partnership will be taxed as a corporation for U.S. federal income tax purposes. However, if 90% or more of a partnership s gross income for every taxable year it is publicly traded consists of qualifying income, the partnership may continue to be treated as a partnership for U.S. federal income tax purposes (the Qualifying Income Exception). Qualifying income includes income and gains derived from the exploration, development, mining or production, processing, transportation, and marketing of natural resources, including oil, gas, and products thereof. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of qualifying income. We estimate that less than 2% of our current gross income is not qualifying income; however, this estimate could change from time to time.

No ruling has been or will be sought from the IRS with respect to SXL s classification as a partnership for federal income tax purposes or as to the classification of our partnership and limited liability company subsidiaries. Instead we have relied on the opinion of counsel that, based upon the Code, existing Treasury Regulations, published revenue rulings and court decisions and representations described below, SXL and our partnership and limited liability company subsidiaries, other than those that have been identified as such to Vinson & Elkins L.L.P., will each be classified as a partnership or disregarded as an entity separate from its owner for federal income tax purposes.

In rendering its opinion that we have been and will continue to be treated as partnerships or disregarded as an entity separate from its owner for federal income tax purposes, Vinson & Elkins L.L.P. has relied on the factual representations made by us and our general partner, including, without limitation:

(a) Neither SXL nor any of its partnership or limited liability company subsidiaries after the merger, other than those that have been identified as such to Vinson & Elkins L.L.P., has elected to be treated as a corporation for U.S. federal income tax purposes;

(b) For each taxable year since and including the year of SXL s initial public offering, more than 90% of SXL s gross income has been and will be income of a character that Vinson & Elkins L.L.P. has opined is qualifying income within the meaning of Section 7704(d) of the Code; and

(c) Each hedging transaction that we treat as resulting in qualifying income has been and will be appropriately identified as a hedging transaction pursuant to applicable Treasury Regulations, and has been and will be associated with oil, natural gas, or products thereof that are held or to be held by us in activities that Vinson & Elkins L.L.P. has opined or will opine result in qualifying income.

We believe that these representations are true and will be true in the future.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our common unitholders or pay other amounts), we will be treated as transferring all of our assets, subject to liabilities, to a newly formed corporation on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation and then as distributing that stock to our unitholders in liquidation. This deemed contribution and liquidation should not result in the recognition of taxable income by our common unitholders or us so long as our liabilities do not exceed the tax basis of our assets. Thereafter, we would be treated as an association taxable as a corporation for federal income tax purposes.

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial changes or differing

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interpretations at any time. For example, from time to time, members of Congress and the President propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships, including the elimination of the Qualifying Income Exception upon which we rely for our treatment as a partnership for federal income tax purposes.

In addition, the IRS has issued proposed regulations regarding qualifying income under Section 7704(d)(1)(E) of the Code (the Proposed Regulations). We do not believe the Proposed Regulations affect our ability to qualify as a publicly traded partnership. However, there are no assurances that final regulations will not include changes that interpret Section 7704(d)(1)(E) in a manner that is contrary to the Proposed Regulations, which could modify the amount of our gross income that we are able to treat as qualifying income for the purposes of the Qualifying Income Exception. We are unable to predict whether any such changes will ultimately be enacted. However, it is possible that a change in law could affect us and may be applied retroactively. Any such changes could negatively impact the value of an investment in our common units.

If for any reason we are taxable as a corporation in any taxable year, our items of income, gain, loss and deduction would be taken into account by us in determining the amount of our liability for federal income tax, rather than being passed through to our common unitholders. Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us. Our taxation as a corporation would materially reduce the cash available for distribution to unitholders and thus would likely substantially reduce the value of our units. Any distribution made to a common unitholder at a time we are treated as a corporation would be (i) a taxable dividend to the extent of our current and accumulated earnings and profits, then (ii) a nontaxable return of capital to the extent of the unitholder s tax basis in its units, and thereafter (iii) taxable capital gain.

At the state level, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise, or other forms of taxation. Imposition of a similar tax on us in the jurisdictions in which we operate or in other jurisdictions to which we may expand could substantially reduce our cash available for distribution to our unitholders.

The remainder of this discussion is based on the opinion of Vinson & Elkins L.L.P. that we will be treated as a partnership for federal income tax purposes.

Limited Partner Status

Unitholders who have become limited partners of SXL will be treated as partners of SXL for U.S. federal income tax purposes. Also, assignees who have executed and delivered transfer applications, and are awaiting admission as limited partners, and unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common units will be treated as partners of SXL for U.S. federal income tax purposes. As there is no direct or indirect controlling authority addressing assignees of common units who are entitled to execute and deliver transfer applications and thereby become entitled to direct the exercise of attendant rights, but who fail to execute and deliver transfer applications, Vinson & Elkins L.L.P. s opinion does not extend to these persons. Furthermore, a purchaser or other transferee of common units who does not execute and deliver a transfer application may not receive some federal income tax information or reports furnished to record holders of common units unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application for those common units.

A beneficial owner of common units whose common units have been transferred to a short seller to complete a short sale would appear to lose status as a partner with respect to such common units for federal income tax purposes. Please read Tax Consequences of Unit Ownership Treatment of Securities Loans.

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Income, gain, deductions or losses would not appear to be reportable by a common unitholder who is not a partner for federal income tax purposes, and any cash distributions received by a common unitholder who is not a partner for federal income tax purposes would therefore appear to be fully taxable as ordinary income. Common unitholders who are not treated as partners in us as described above are urged to consult their own tax advisors with respect to the tax consequences applicable to them under the circumstances.

Tax Consequences of Common Unit Ownership

Flow-Through of Taxable Income. Subject to the discussion below under Entity-Level Collections of Unitholder Taxes with respect to payments we may be required to make on behalf of our common unitholders, we will not pay any federal income tax. Rather, each common unitholder will be required to report on its federal income tax return each year its share of our income, gains, losses and deductions for our taxable year or years ending with or within its taxable year. Consequently, we may allocate income to a common unitholder even if that unitholder has not received a cash distribution.

Treatment of Distributions. Distributions made by us to a unitholder generally will not be taxable to the common unitholder, unless such distributions are of cash or marketable securities that are treated as cash and exceed the common unitholder s tax basis in its units, in which case the unitholder generally will recognize gain taxable in the manner described below under Disposition of Units.

Any reduction in a common unitholder s share of our nonrecourse liabilities (liabilities for which no partner bears the economic risk of loss) will be treated as a distribution by us of cash to that common unitholder. A decrease in a common unitholder s percentage interest in us because of our issuance of additional units may decrease the unitholder s share of our nonrecourse liabilities. For purposes of the foregoing, a common unitholder s share of our nonrecourse liabilities generally will be based upon that common unitholder s share of the unrealized appreciation (or depreciation) in our assets, to the extent thereof, with any excess liabilities allocated based on the common unitholder s share of our profits. Please read Disposition of Units.

A non-pro rata distribution of money or property (including a deemed distribution as a result of the reallocation of our liabilities described above) may cause a common unitholder to recognize ordinary income, if the distribution reduces the common unitholder s share of our unrealized receivables, including depreciation recapture and substantially appreciated inventory items, both as defined in Section 751 of the Code (Section 751 Assets). To the extent of such reduction, the common unitholder would be deemed to receive its proportionate share of the Section 751 Assets and exchange such assets with us in return for a portion of the non-pro rata distribution. This deemed exchange generally will result in the common unitholder s recognition of ordinary income in an amount equal to the excess of (1) the non-pro rata portion of that distribution over (2) the common unitholder s tax basis (generally zero) in the Section 751 Assets deemed to be relinquished in the exchange.

Basis of Common Units. Please read Material U.S. Federal Income Tax Consequences of the Merger Tax Basis and Holding Period of the SXL Units Deemed Received for a discussion of how to determine the initial tax basis of SXL units received in the merger. That basis generally will be (i) increased by the common unitholder s share of our income and any increases in such unitholder s share of our nonrecourse liabilities and (ii) decreased, but not below zero, by the amount of all distributions to the common unitholder, the common unitholder s share of our losses and any decreases in the common unitholder s share of our nonrecourse liabilities. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests.

Limitations on Deductibility of Losses. A unitholder may not be entitled to deduct the full amount of loss we allocate to it because its share of our losses will be limited to the lesser of (i) the common unitholder s tax basis in its units and (ii) in the case of a common unitholder that is an individual, estate, trust or certain types of closely-held corporations, the amount for which the unitholder is considered to be at risk with respect to our

activities. In general, a common unitholder will be at risk to the extent of its tax basis in its units, reduced by (1) any portion of that basis attributable to the unitholder s share of our liabilities, (2) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop loss agreement or similar arrangement and (3) any amount of money the unitholder borrows to acquire or hold its units, if the lender of those borrowed funds owns an interest in us, is related to another unitholder or can look only to the units for repayment. A unitholder subject to the at risk limitation must recapture losses deducted in previous years to the extent that distributions (including distributions deemed to result from a reduction in a unitholder s share of liabilities) cause the unitholder s at risk amount to be less than zero at the end of any taxable year.

Losses disallowed to a unitholder or recaptured as a result of the basis or at risk limitations will carry forward and will be allowable as a deduction in a later year to the extent that the unitholder s tax basis or at risk amount, whichever is the limiting factor, is subsequently increased. Upon a taxable disposition of units, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but not losses suspended by the basis limitation. Any loss previously suspended by the at risk limitation in excess of that gain can no longer be used and will not be available to offset a unitholder s salary or active business income.

In addition to the basis and at risk limitations, a passive activity loss limitation generally limits the deductibility of losses incurred by individuals, estates, trusts, some closely-held corporations and personal service corporations from passive activities (generally, trade or business activities in which the taxpayer does not materially participate). The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will be available to offset only passive income generated by us. Passive losses that exceed a unitholder s share of passive income we generate may be deducted in full when the unitholder disposes of all of its units in a fully taxable transaction with an unrelated party. The passive loss rules generally are applied after other applicable limitations on deductions, including the at risk and basis limitations.

The application of the requirement that the passive loss limitations are applied separately with respect to each publicly traded partnership to a former ETP unitholder that becomes an SXL unitholder in the merger and that (i) held SXL units prior to becoming an SXL unitholder as result of the merger or (ii) also holds units in ETE, is uncertain. Any such unitholders should consult their own tax advisor regarding the application of the passive loss rules.

Limitations on Interest Deductions. The deductibility of a non-corporate taxpayer s investment interest expense generally is limited to the amount of that taxpayer s net investment income. Investment interest expense includes:

- interest on indebtedness allocable to property held for investment;
- interest expense allocated against portfolio income; and
- the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent allocable against portfolio income.

The computation of a unitholder s investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses other than interest directly connected with the production of investment income. Net investment income generally does not include qualified dividend income or gains attributable to the disposition of property held for

investment. A unitholder s share of a publicly traded partnership s portfolio income and, according to the IRS, net passive income will be treated as investment income for purposes of the investment interest expense limitation.

Entity-Level Collections of Unitholder Taxes. If we are required or elect under applicable law to pay any federal, state, local or non-U.S. tax on behalf of any current or former unitholder or our general partner, we are

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authorized to treat the payment as a distribution of cash to the relevant unitholder or general partner. Where the tax is payable on behalf of all unitholders or we cannot determine the specific unitholder on whose behalf the tax is payable, we are authorized to treat the payment as a distribution to all current unitholders. Payments by us as described above could give rise to an overpayment of tax on behalf of a unitholder, in which event the unitholder may be entitled to claim a refund of the overpayment amount. Unitholders are urged to consult their tax advisors to determine the consequences to them of any tax payment we make on their behalf.

Allocation of Income, Gain, Loss and Deduction. After giving effect to special allocation provisions with respect to our other classes of units, our items of income, gain, loss and deduction generally will be allocated amongst our common unitholders and our general partner in accordance with their percentage interests in us. If distributions are made in respect of the incentive distribution rights, gross income will be allocated to the recipients to the extent of such distributions.

Specified items of our income, gain, loss and deduction will be allocated under Section 704(c) of the Code (or the principles of Section 704(c) of the Code) to account for any difference between the tax basis and fair market value of our assets at the time such assets are contributed to us and at the time of any subsequent offering of our units (a Book-Tax Disparity). As a result, the federal income tax burden associated with any Book-Tax Disparity immediately prior to an offering generally will be borne by our partners holding interests in us prior to such offering. In addition, items of recapture income will be specially allocated to the extent possible to the unitholder who was allocated the deduction giving rise to that recapture income in order to minimize the recognition of ordinary income by other unitholders.

An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Code to eliminate a Book-Tax Disparity, will generally be given effect for federal income tax purposes in determining a partner s share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a partner s share of an item will be determined on the basis of the partner s interest in us, which will be determined by taking into account all the facts and circumstances, including (i) the partner s relative contributions to us, (ii) the interests of all the partners in profits and losses, (iii) the interest of all the partners in cash flow and (iv) the rights of all the partners to distributions of capital upon liquidation. Vinson & Elkins L.L.P. is of the opinion that, with the exception of the issues described in Section 754 Election and Disposition of Units Allocations Between Transferors and Transferees, allocations of income, gain, loss or deduction under our partnership agreement will be given effect for federal income tax purposes.

Treatment of Securities Loans. A common unitholder whose units are loaned (for example, a loan to a short seller to cover a short sale of units) may be treated as having disposed of those units and may recognize gain or loss as a result of such deemed disposition. If so, such common unitholder would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period, (i) any of our income, gain, loss or deduction allocated to those units would not be reportable by the lending unitholder and (ii) any cash distributions received by the common unitholder as to those units may be treated as ordinary taxable income.

Due to a lack of controlling authority, Vinson & Elkins L.L.P. has not rendered an opinion regarding the tax treatment of a common unitholder that enters into a securities loan with respect to its units. Common unitholders desiring to assure their status as partners and avoid the risk of income recognition from a loan of their units are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and lending their units. The IRS has announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please read Disposition of Units Recognition of Gain or Loss.

Tax Rates. Under current law, the highest marginal federal income tax rates for individuals applicable to ordinary income and long-term capital gains (generally, gains from the sale or exchange of certain investment assets held for more than one year) are 39.6% and 20%, respectively. These rates are subject to change by new legislation at any time.

In addition, a 3.8% net investment income tax (NIIT) applies to certain net investment income earned by individuals, estates and trusts. For these purposes, net investment income generally includes a unitholder s allocable share of our income and gain realized by a unitholder from a sale of units. In the case of an individual, the tax will be imposed on the lesser of (i) the unitholder s net investment income from all investments and (ii) the amount by which the unitholder s modified adjusted gross income exceeds $250,000 (if the unitholder is married and filing jointly or a surviving spouse), $125,000 (if married filing separately) or $200,000 (if the unitholder is unmarried or in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed net investment income and (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

Section 754 Election. We have made the election permitted by Section 754 of the Code that permits us to adjust the tax bases in our assets as to specific purchased units under Section 743(b) of the Code to reflect the unit purchase price. The Section 743(b) adjustment separately applies to each purchaser of units based upon the values and bases of our assets at the time of the relevant purchase. The Section 743(b) adjustment does not apply to a person who purchases units directly from us. For purposes of this discussion, a common unitholder s basis in our assets will be considered to have two components: (1) its share of the tax basis in our assets as to all common unitholders (common basis) and (2) its Section 743(b) adjustment to that tax basis (which may be positive or negative).

Under Treasury Regulations, a Section 743(b) adjustment attributable to property depreciable under Section 168 of the Code, such as our storage assets, may be amortizable over the remaining cost recovery period for such property, while a Section 743(b) adjustment attributable to properties subject to depreciation under Section 167 of the Code, must be amortized straight-line or using the 150% declining balance method. As a result, if we owned any assets subject to depreciation under Section 167 of the Code, the amortization rates could give rise to differences in the taxation of common unitholders purchasing units from us and common unitholders purchasing from other unitholders.

Under our partnership agreement, we are authorized to take a position to preserve the uniformity of units even if that position is not consistent with these or any other Treasury Regulations. Please read Disposition of Common Units Uniformity of Units. Consistent with this authority, we intend to treat properties depreciable under Section 167, if any, in the same manner as properties depreciable under Section 168 for this purpose. These positions are consistent with the methods employed by other publicly traded partnerships but are inconsistent with the existing Treasury Regulations, and Vinson & Elkins L.L.P. has not opined on the validity of this approach.

The IRS may challenge our position with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of units due to lack of controlling authority. Because a common unitholder s tax basis for its units is reduced by its share of our items of deduction or loss, any position we take that understates deductions will overstate a common unitholder s basis in its units, and may cause the common unitholder to understate gain or overstate loss on any sale of such units. Please read Disposition of Common Units Recognition of Gain or Loss. If a challenge to such treatment were sustained, the gain from the sale of units may be increased without the benefit of additional deductions.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. The IRS could seek to reallocate some or all of any Section 743(b) adjustment we allocated to our assets subject to depreciation to goodwill or nondepreciable assets. Goodwill, as an intangible asset, is generally nonamortizable or amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure any common unitholder that the determinations we make will not be successfully challenged by the IRS or that the resulting deductions will not be reduced or disallowed altogether. Should the IRS require a different tax basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754

election. If permission is granted, a subsequent purchaser of units may be allocated more income than it would have been allocated had the election not been revoked.

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Tax Treatment of Operations

Accounting Method and Taxable Year. We will use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each unitholder will be required to include in its tax return its share of our income, gain, loss and deduction for each taxable year ending within or with its taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of its units following the close of our taxable year but before the close of its taxable year must include its share of our income, gain, loss and deduction in income for its taxable year, with the result that it will be required to include in income for its taxable year its share of more than one year of our income, gain, loss and deduction. Please read Disposition of Units Allocations Between Transferors and Transferees.

Tax Basis, Depreciation and Amortization. The tax basis of our assets will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of those assets. If we dispose of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation deductions previously taken, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of its interest in us. Please read Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction.

The costs we incur in offering and selling our units (called syndication expenses) must be capitalized and cannot be deducted currently, ratably or upon our termination. Although there are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us, the underwriting discounts and commissions we incur will be treated as syndication expenses. Please read Disposition of Units Recognition of Gain or Loss.

Coal Income. Section 631 of the Code provides special rules by which gains or losses on the sale of coal may be treated, in whole or in part, as gains or losses from the sale of property used in a trade or business under Section 1231 of the Code. Specifically, if the owner of coal held for more than one year disposes of that coal under a contract by virtue of which the owner retains an economic interest in the coal under Section 631(c) of the Code, the gain or loss realized will be treated under Section 1231 of the Code as gain or loss from property used in a trade or business. Section 1231 gains and losses may be treated as capital gains and losses. Please read Sales of Coal Reserves or Timberland. In computing such gain or loss, the amount realized is reduced by the adjusted depletion basis in the coal, determined as described in Coal Depletion.

For purposes of Section 631(c), the coal generally is deemed to be disposed of on the day on which the coal is mined. Further, Treasury Regulations promulgated under Section 631 provide that advance royalty payments may also be treated as proceeds from sales of coal to which Section 631 applies and, therefore, such payment may be treated as capital gain under Section 1231. However, if the right to mine the related coal expires or terminates under the contract that provides for the payment of advance royalty payments or such right is abandoned before the coal has been mined, we may, pursuant to the Treasury regulations, file an amended return that reflects the payments attributable to unmined coal as ordinary income and not as received from the sale of coal under Section 631.

Our royalties from coal leases generally will be treated as proceeds from sales of coal to which Section 631 applies. Accordingly, the difference between the royalties paid to us by the lessees and the adjusted depletion basis in the extracted coal generally will be treated as gain from the sale of property used in a trade or business, which may be treated as capital gain under Section 1231. Please read Sales of Coal Reserves or Timberland. Our royalties that do not qualify under Section 631(c) generally will be taxable as ordinary income in the year of sale.

Coal Depletion. In general, we are entitled to depletion deductions with respect to coal mined from the underlying mineral property. Subject to the limitations on the deductibility of losses discussed above, we

generally are entitled to the greater of cost depletion limited to the basis of the property or percentage depletion. The percentage depletion rate for coal is 10%. If Section 631(c) applies to the disposition of the coal, however, we are not eligible for percentage depletion. Please read Coal Income.

Depletion deductions we claim generally will reduce the tax basis of the underlying mineral property. Depletion deductions can, however, exceed the total tax basis of the mineral property. The excess of our percentage depletion deductions over the adjusted tax basis of the property at the end of the taxable year is subject to tax preference treatment in computing the alternative minimum tax, the consequences of which are not addressed herein. In addition, a corporate unitholder s allocable share of the amount allowable as a percentage depletion deduction for any property will be reduced by 20% of the excess, if any, of that partner s allocable share of the amount of the percentage depletion deductions for the taxable year over the adjusted tax basis of the mineral property as of the close of the taxable year.

Oil and Natural Gas Depletion. Subject to the limitations on deductibility of losses discussed above (please read Tax Consequences of Unit Ownership Limitations on Deductibility of Losses), unitholders may be entitled to depletion deductions with respect to our oil and natural gas royalty interests. The deduction is equal to the greater of cost depletion limited to the basis of the property or (if otherwise allowable) percentage depletion.

Percentage depletion is generally available with respect to unitholders who qualify under the independent producer exemption contained in Section 613A(c) of the Code. For this purpose, an independent producer is a person not directly or indirectly involved in the retail sale of oil, natural gas or derivative products or the operation of a major refinery. Percentage depletion is calculated as an amount generally equal to 15% of the unitholder s gross income from the oil and gas property for the taxable year. A unitholder generally may deduct percentage depletion only to the extent the unitholder s average daily production of domestic crude oil, or the natural gas equivalent, does not exceed 1,000 barrels. A limitation equal to the lower of 65% of taxable income or 100% of taxable income from the property further limits the deduction for the taxable year.

All or a portion of any gain recognized by a unitholder as a result of either the disposition by us of some or all of our oil and natural gas interests or the disposition by the unitholder of some or all of his units may be taxed as ordinary income to the extent of recapture of oil and gas depletion.

Although the Code requires each unitholder to compute his own depletion allowance and maintain records of his share of the adjusted tax basis of the underlying property for depletion and other purposes, we intend to furnish each of its unitholders with information relating to this computation for federal income tax purposes. Each unitholder, however, remains responsible for calculating his own depletion allowance and maintaining records of his share of the adjusted tax basis of the underlying property for depletion and other purposes.

Timber Income. Section 631 of the Code provides special rules by which gains or losses on the sale of timber may be treated, in whole or in part, as gains or losses from the sale of property used in a trade or business under Section 1231 of the Code. Specifically, if the owner of timber (including a holder of a contract right to cut timber) held for more than one year disposes of that timber under any contract by virtue of which the owner retains an economic interest in the timber under Section 631(b) of the Code, the gain or loss realized will be treated under Section 1231 of the Code as gain or loss from property used in a trade or business. Section 1231 gains and losses may be treated as capital gains and losses. Please read Sales of Coal Reserves or Timberland. In computing such gain or loss, the amount realized is reduced by the adjusted basis in the timber, determined as described in Timber Depletion. For purposes of Section 631(b), the timber generally is deemed to be disposed of on the day on which the timber is cut (which is generally deemed to be the date when, in the ordinary course of business, the quantity of the timber cut is first definitely determined).

Proceeds we receive from standing timber sales generally will be treated as sales of timber to which Section 631 applies. Accordingly, the difference between those proceeds and the adjusted basis in the timber sold generally will be treated as gain from the sale of property used in a trade or business, which may be treated as

capital gain under Section 1231. Please read Sales of Coal Reserves and Timberland. Gains from sale of timber by us that do not qualify under Section 631 generally will be taxable as ordinary income in the year of sale.

Timber Depletion. Timber is subject to cost depletion and is not subject to accelerated cost recovery, depreciation or percentage depletion. Timber depletion is determined with respect to each separate timber account (containing timber located in a timber block) and is equal to the product obtained by multiplying the units of timber cut by a fraction, the numerator of which is the aggregate adjusted basis of all timber included in such account and the denominator of which is the total number of timber units in such timber account. The depletion allowance so calculated for the timber cut in a particular period represents the adjusted tax basis of such cut timber for purposes of determining gain or loss on its disposition. The tax basis of the remaining timber in each timber account is reduced by the depletion allowance for cut timber from such account.

Sales of Coal Reserves or Timberland. If any of our coal reserves or timberland are sold or otherwise disposed of in a taxable transaction, we will recognize (and allocate to our unitholders) any gain or loss measured by the difference between the amount realized (including the amount of any indebtedness assumed by the purchaser upon such disposition or to which such property is subject) and the adjusted tax basis of the property sold. Generally, the character of any gain or loss recognized upon that disposition will depend upon whether our coal reserves or the particular tract of timberland sold are held by it:

- for sale to customers in the ordinary course of business (i.e., we are a dealer with respect to that property);
- for use in a trade or business within the meaning of Section 1231 of the Code; or
- as a capital asset within the meaning of Section 1221 of the Code.

In determining dealer status with respect to coal reserves, timberland and other types of real estate, the courts have identified a number of factors for distinguishing between a particular property held for sale in the ordinary course of business and one held for investment. Any determination must be based on all the facts and circumstances surrounding the particular property and sale in question.

We intend to hold our coal reserves and timberland for the purposes of generating cash flow from coal royalties and periodic harvesting and sale of timber and achieving long-term capital appreciation. Although we may consider strategic sales of coal reserves and timberland consistent with achieving long-term capital appreciation, we do not anticipate frequent sales, nor significant marketing, improvement or subdivision activity in connection with any strategic sales. Thus, we do not believe that we will be viewed as a dealer. In light of the factual nature of this question, however, there is no assurance that our purposes for holding our properties will not change and that its future activities will not cause us to be a dealer in coal reserves or timberland.

If we are not a dealer with respect to our coal reserves or our timberland and we have held the disposed property for more than a one-year period primarily for use in our trade or business, the character of any gain or loss realized from a disposition of the property will be determined under Section 1231 of the Code. If we have not held the property for more than one year at the time of the sale, gain or loss from the sale will be taxable as ordinary income.

A unitholder s distributive share of any Section 1231 gain or loss generated by us will be aggregated with any other gains and losses realized by that unitholder from the disposition of property used in the trade or business, as defined in

Section 1231(b) of the Code, and from the involuntary conversion of such properties and of capital assets held in connection with a trade or business or a transaction entered into for profit for the requisite holding period. If a net gain results, all such gains and losses will be long-term capital gains and losses; if a net loss results, all such gains and losses will be ordinary income and losses. Net Section 1231 gains will be treated as ordinary income to the extent of prior net Section 1231 losses of the taxpayer or predecessor taxpayer

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for the five most recent prior taxable years to the extent such losses have not previously been offset against Section 1231 gains. Losses are deemed recaptured in the chronological order in which they arose.

If we are not a dealer with respect to its coal reserves or a particular tract of timberland, and that property is not used in a trade or business, the property will be a capital asset within the meaning of Section 1221 of the Code. Gain or loss recognized from the disposition of that property will be taxable as capital gain or loss, and the character of such capital gain or loss as long-term or short-term will be based upon our holding period in such property at the time of its sale. The requisite holding period for long-term capital gain is more than one year.

Upon a disposition of coal reserves or timberland, a portion of the gain, if any, equal to the lesser of (i) the depletion deductions that reduced the tax basis of the disposed mineral property plus deductible development and mining exploration expenses, or (ii) the amount of gain recognized on the disposition, will be treated as ordinary income to us.

Valuation and Tax Basis of Our Properties. The federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values and the tax bases of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates and determinations of tax basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deduction previously reported by unitholders could change, and unitholders could be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Disposition of Common Units

Recognition of Gain or Loss. A common unitholder will be required to recognize gain or loss on a sale of units equal to the difference between the common unitholder s amount realized and tax basis in the units sold. A common unitholder s amount realized generally will equal the sum of the cash and the fair market value of other property it receives plus its share of our liabilities with respect to the units sold. Because the amount realized includes a common unitholder s share of our liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale.

Except as noted below, gain or loss recognized by a unitholder on the sale or exchange of a unit held for more than one year generally will be taxable as long-term capital gain or loss. However, gain or loss recognized on the disposition of units will be separately computed and taxed as ordinary income or loss under Section 751 of the Code to the extent attributable to Section 751 Assets, such as depreciation recapture and our inventory items, regardless of whether such inventory item is substantially appreciated in value. Ordinary income attributable to Section 751 Assets may exceed net taxable gain realized on the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and capital gain or loss upon a sale of units. Net capital loss may offset capital gains and, in the case of individuals, up to $3,000 of ordinary income per year.

For purposes of calculating gain or loss on the sale of units, the common unitholder s tax basis will be adjusted by its allocable share of our income or loss in respect of its units for the year of the sale. Furthermore, as described above the IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same

relation to the partner s tax basis in its entire interest in the partnership as the value of the interest sold bears to the value of the partner s entire interest in the partnership.

Treasury Regulations under Section 1223 of the Code allow a selling common unitholder who can identify units transferred with an ascertainable holding period to elect to use the actual holding period of the units

transferred. Thus, according to the ruling discussed in the paragraph above, a common unitholder will be unable to select high or low basis units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, it may designate specific units sold for purposes of determining the holding period of the units transferred. A common unitholder electing to use the actual holding period of units transferred must consistently use that identification method for all subsequent sales or exchanges of our units. A common unitholder considering the purchase of additional units or a sale of units purchased in separate transactions is urged to consult its tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated financial position, including a partnership interest with respect to which gain would be recognized if it were sold, assigned or terminated at its fair market value, in the event the taxpayer or a related person enters into:

a short sale;

an offsetting notional principal contract; or

a futures or forward contract with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is authorized to issue Treasury Regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees. In general, our taxable income or loss will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the common unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month (the Allocation Date). Nevertheless, we allocate certain deductions for depreciation of capital additions based upon the date the underlying property is placed in service, and gain or loss realized on a sale or other disposition of our assets or, in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction will be allocated among the common unitholders on the Allocation Date in the month in which such income, gain, loss or deduction is recognized. As a result, a common unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

Although simplifying conventions are contemplated by the Code and most publicly traded partnerships use similar simplifying conventions, the use of this method may not be permitted under existing Treasury Regulations. The Department of the Treasury and the IRS issued final Treasury Regulations pursuant to which a publicly traded partnership may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. The regulations apply beginning with our taxable year that began on January 1, 2016. Nonetheless, the regulations do not specifically authorize the use of the proration method we have adopted. Accordingly, Vinson & Elkins L.L.P. is unable to opine on the validity of this method of allocating income and deductions between transferee and transferor unitholders. If this method is not allowed under the final Treasury Regulations our taxable income or losses could be reallocated among our unitholders. We are authorized to revise our method of allocation between

transferee and transferor unitholders, as well as among unitholders whose interests vary during a taxable year, to conform to a method permitted under the Treasury Regulations.

A common unitholder who disposes of units prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deduction attributable to the month of disposition but will not be entitled to receive a cash distribution for that period.

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Notification Requirements. A unitholder who sells or purchases any of its units is generally required to notify us in writing of that transaction within 30 days after the transaction (or, if earlier, January 15 of the year following the transaction in the case of a seller). Upon receiving such notifications we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a transfer of units may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale through a broker who will satisfy such requirements.

Constructive Termination. We will be considered to have terminated our partnership for federal income tax purposes upon the sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For such purposes, multiple sales of the same unit are counted only once. A constructive termination results in the closing of our taxable year for all common unitholders. In the case of a common unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in such common unitholder s taxable income for the year of termination.

A constructive termination occurring on a date other than December 31 will result in us filing two tax returns for one fiscal year and the cost of the preparation of these returns will be borne by all common unitholders. However, pursuant to an IRS relief procedure the IRS may allow, among other things, a constructively terminated partnership to provide a single Schedule K-1 for the calendar year in which a termination occurs. We would be required to make new tax elections after a termination, including a new election under Section 754 of the Code, and a termination would result in a deferral of our deductions for depreciation and thus may increase the taxable income allocable to our unitholders. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Uniformity of Common Units

Because we cannot match transferors and transferees of units and other reasons, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of federal income tax requirements. Any non-uniformity could have a negative impact on the value of the units. Please read Tax Consequences of Unit Ownership Section 754 Election.

Our partnership agreement permits our general partner to take positions in filing our tax returns that preserve the uniformity of our units. These positions may include reducing the depreciation, amortization or loss deductions to which a unitholder would otherwise be entitled or reporting a slower amortization of Section 743(b) adjustments for some unitholders than that to which they would otherwise be entitled. Vinson & Elkins L.L.P. is unable to opine as to the validity of such filing positions.

A common unitholder s tax basis in its units is reduced by its share of our deductions (whether or not such deductions were claimed on an individual income tax return) so that any position that we take that understates deductions will overstate the unitholder s basis in its units, and may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read Disposition of Units Recognition of Gain or Loss above and Tax Consequences of Unit Ownership Section 754 Election above. The IRS may challenge one or more of any positions we take to preserve the uniformity of units. If such a challenge were sustained, the uniformity of units might be affected and, under some circumstances, the gain from the sale of units might be increased without the benefit of additional deductions.

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Tax-Exempt Organizations and Other Investors

Ownership of common units by employee benefit plans and other tax-exempt organizations as well as by non-resident alien individuals, non-U.S. corporations and other non-U.S. persons (collectively, Non-U.S. Unitholders) raises issues unique to those investors and, as described below, may have substantially adverse tax consequences to them. Prospective unitholders that are tax-exempt organizations or Non-U.S. Unitholders should consult their tax advisors before investing in our units. Employee benefit plans and most other tax-exempt organizations, including IRAs and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income will be unrelated business taxable income and will be taxable to a tax-exempt unitholder.

Non-U.S. Unitholders are taxed by the United States on income effectively connected with the conduct of a U.S. trade or business (effectively connected income) and on certain types of U.S.-source non-effectively connected income (such as dividends), unless exempted or further limited by an income tax treaty. Non-U.S. Unitholders will be considered to be engaged in business in the United States because of their ownership of our units. Furthermore, it is probable that they will be deemed to conduct such activities through permanent establishments in the United States within the meaning of applicable tax treaties. Consequently, they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax on their share of our net income or gain. Moreover, under rules applicable to publicly traded partnerships, distributions to Non-U.S. Unitholders are subject to withholding at the highest applicable effective tax rate. Each Non-U.S. Unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN, W-8BEN-E or applicable substitute form in order to obtain credit for these withholding taxes.

In addition, because a Non-U.S. Unitholder classified as a corporation will be treated as engaged in a United States trade or business, that corporation may be subject to the U.S. branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our income and gain as adjusted for changes in the foreign corporation s U.S. net equity to the extent reflected in the corporation s effectively connected earnings and profits. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Code.

A Non-U.S. Unitholder who sells or otherwise disposes of a unit will be subject to federal income tax on gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the Non-U.S. Unitholder. Under a ruling published by the IRS interpreting the scope of effectively connected income, gain realized by a Non-U.S. Unitholder from the sale of its interest in a partnership that is engaged in a trade or business in the United States will be considered to be effectively connected with a U.S. trade or business. Thus, part or all of a Non-U.S. Unitholder s gain from the sale or other disposition of its units may be treated as effectively connected with a unitholder s indirect U.S. trade or business constituted by its investment in us. Moreover, under the Foreign Investment in Real Property Tax Act, a Non-U.S. Unitholder generally will be subject to federal income tax upon the sale or disposition of a unit if at any time during the shorter of the five-year period ending on the date of the disposition or the Non-U.S. holder s holding period for the common unit (i) such Non-U.S. holder owned (directly or constructively applying certain attribution rules) more than 5% of our units and (ii) 50% or more of the fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business consisted of U.S. real property interests (which include U.S. real estate, including land, improvements, and certain associated personal property, and interests in certain entities holding U.S. real estate). More than 50% of our assets may consist of U.S. real property interests. Therefore, Non-U.S. Unitholders may be subject to federal income tax on gain from the sale or disposition of their units.

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Administrative Matters

Information Returns and Audit Procedures. We intend to furnish to each unitholder, within 90 days after the close of each taxable year, specific tax information, including a Schedule K-1, which describes its share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each common unitholder s share of income, gain, loss and deduction. We cannot assure our unitholders that those positions will yield a result that conforms to all of the requirements of the Code, Treasury Regulations or administrative interpretations of the IRS.

The IRS may audit our federal income tax information returns. Neither we nor Vinson & Elkins L.L.P. can assure prospective unitholders that the IRS will not successfully challenge the positions we adopt, and such a challenge could adversely affect the value of the units. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year s tax liability and may result in an audit of the unitholder s own return. Any audit of a unitholder s return could result in adjustments unrelated to our returns.

Publicly traded partnerships generally are treated as entities separate from their owners for purposes of federal income tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings of the partners. The Code requires that one partner be designated as the Tax Matters Partner for these purposes, and our partnership agreement designates our general partner.

The Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a common unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the common unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any common unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review may go forward, and each common unitholder with an interest in the outcome may participate in that action.

A common unitholder must file a statement with the IRS identifying the treatment of any item on its federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

Pursuant to the Bipartisan Budget Act of 2015, for taxable years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, unless we elect to have our general partner and unitholders take any audit adjustment into account in accordance with their interests in us during the taxable year under audit. Similarly, for such taxable years, if the IRS makes audit adjustments to income tax returns filed by an entity in which we are a member or partner, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from such entity. Generally, we expect to elect to have our general partner and unitholders take any such audit adjustment into account in accordance with their interests in us during the taxable year under audit, but there can be no assurance that such election will be effective in all circumstances. With respect to audit adjustments as to an entity in which we are a member or partner, the Joint Committee of Taxation has stated that we would not be able to have our general partner and our unitholders take such audit adjustment into account. If we are unable to have our general partner and our unitholders take such audit adjustment into account in accordance with their interests in us during the taxable year under audit, our then current unitholders may bear some

or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own our Common Units during the taxable year under audit. If,

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as a result of any such audit adjustment, we are required to make payments of taxes, penalties, and interest, our cash available for distribution to our Unitholders might be substantially reduced. These rules are not applicable for taxable years beginning on or prior to December 31, 2017. Congress has proposed changes to the Bipartisan Budget Act, and we anticipate that amendments may be made. Accordingly, the manner in which these rules may apply to us in the future is uncertain.

Additionally, pursuant to the Bipartisan Budget Act of 2015, the Internal Revenue Code will no longer require that we designate a Tax Matters Partner. Instead, for taxable years beginning after December 31, 2017, we will be required to designate a partner, or other person, with a substantial presence in the United States as the partnership representative (Partnership Representative). The Partnership Representative will have the sole authority to act on our behalf for purposes of, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS. If we do not make such a designation, the IRS can select any person as the Partnership Representative. We currently anticipate that we will designate our general partner as the Partnership Representative. Further, any actions taken by us or by the Partnership Representative on our behalf with respect to, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS, will be binding on us and all of the unitholders. These rules are not applicable for taxable years beginning on or prior to December 31, 2017.

Additional Withholding Requirements. Withholding taxes may apply to certain types of payments made to foreign financial institutions (as specially defined in the Code) and certain other foreign entities. Specifically, a 30% withholding tax may be imposed on interest, dividends and other fixed or determinable annual or periodical gains, profits and income from sources within the United States (FDAP Income), or gross proceeds from the sale or other disposition of any property of a type which can produce interest or dividends from sources within the United States (Gross Proceeds) paid to a foreign financial institution or to a non-financial foreign entity (as specially defined in the Code), unless (i) the foreign financial institution undertakes certain diligence and reporting, (ii) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (i) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to noncompliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these requirements may be subject to different rules.

These rules generally apply to payments of FDAP Income currently and generally will apply to payments of relevant Gross Proceeds made on or after January 1, 2019. Thus, to the extent ETP has FDAP Income or has Gross Proceeds on or after January 1, 2019 that are not treated as effectively connected with a U.S. trade or business (please read Tax-Exempt Organizations and Other Investors), unitholders who are foreign financial institutions or certain other foreign entities, or persons that hold their common units through such foreign entities, may be subject to withholding on distributions they receive from ETP, or their distributive share of ETP s income, pursuant to the rules described above.

Prospective investors should consult their own tax advisors regarding the potential application of these withholding provisions to their investment in ETP s common units.

Nominee Reporting. Persons who hold an interest in us as a nominee for another person are required to furnish to us:

(1) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(2) a statement regarding whether the beneficial owner is:

(a) a non-U.S. person;

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(b) a non-U.S. government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing; or

(c) a tax-exempt entity;

(3) the amount and description of units held, acquired or transferred for the beneficial owner; and

(4) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $250 per failure, up to a maximum of $3 million per calendar year, is imposed by the Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Accuracy-Related Penalties. Certain penalties may be imposed as a result of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for the underpayment of that portion and that the taxpayer acted in good faith regarding the underpayment of that portion. We do not anticipate that any accuracy-related penalties will be assessed against us.

State, Local, Foreign and Other Tax Considerations

In addition to federal income taxes, common unitholders will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which we conduct business or own property or in which the common unitholder is a resident. We conduct business or own property in many states in the United States. Most of these states impose an income tax on individuals, corporations and other entities. As we make acquisitions or expand our business, we may own property or conduct business in other states in additional states that impose a personal income tax. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on its investment in us.

A unitholder may be required to file income tax returns and pay income taxes in some or all of the jurisdictions in which we do business or own property, though such unitholder may not be required to file a return and pay taxes in certain jurisdictions because its income from such jurisdictions falls below the jurisdiction s filing and payment requirement. Further, a common unitholder may be subject to penalties for a failure to comply with any filing or payment requirement applicable to such unitholder. Some of the jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a common unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular common unitholder s income tax liability to the jurisdiction, generally does not relieve a nonresident common unitholder from the obligation to file an income tax return.

It is the responsibility of each common unitholder to investigate the legal and tax consequences, under the laws of pertinent states and localities, of its investment in us. Vinson & Elkins L.L.P. has not rendered an opinion on the state, local, or non-U.S. tax consequences of an investment in us. We strongly recommend that each prospective common unitholder consult, and depend on, its own tax counsel or other advisor with regard to those matters. It is the responsibility of each common unitholder to file all tax returns that may be required of the common unitholder.

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DESCRIPTION OF SXL COMMON UNITS

SXL common units represent limited partner interests in SXL. SXL common units entitle the holders to participate in partnership distributions and to exercise the rights and privileges available to limited partners under the current SXL partnership agreement.

Where Common Units Are Traded

SXL s outstanding common units are listed on the NYSE under the symbol SXL. The common units received by ETP unitholders in the merger will also be listed on the NYSE. Following the consummation of the merger, it is expected that SXL will change its name to Energy Transfer Partners, L.P. and apply to continue the listing of its common units on the NYSE under the symbol ETP.

Quarterly Distributions

The current SXL partnership agreement requires that SXL distribute 100% of its Available Cash (as defined in the current SXL partnership agreement) to its partners within 45 days following the end of each quarter. Available Cash consists generally of all of SXL s cash on hand less the amount of cash reserves that are necessary or appropriate in the reasonable discretion of SXL GP to provide for the proper conduct of the business, comply with applicable law or any debt agreement and provide funds for distributions to unitholders and SXL GP in respect of any one or more of the next four quarters plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Please see Comparison of Rights of SXL Unitholders and ETP Unitholders Distributions of Available Cash for a further discussion of SXL s quarterly distributions.

Transfer Agent and Registrar

SXL s transfer agent and registrar for the SXL common units is American Stock Transfer & Trust Company.

Summary of Partnership Agreement

A summary of the important provisions of the SXL partnership agreement is included under the caption Comparison of the Rights of SXL Unitholders and ETP Unitholders in this proxy statement/prospectus.

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COMPARISON OF RIGHTS OF SXL UNITHOLDERS AND ETP UNITHOLDERS

The rights of ETP unitholders are currently governed by ETP s Second Amended and Restated Agreement of Limited Partnership, as amended (the ETP partnership agreement), and the Delaware LP Act. The rights of SXL s unitholders are currently governed by the Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., as amended (the current SXL partnership agreement), and the Delaware LP Act. In conjunction with the closing of the merger, SXL GP will enter into the Fourth Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P., a form of which is attached to this proxy statement/prospectus as Annex C (the SXL partnership agreement), which, together with the Delaware LP Act, will govern the rights of ETP unitholders and the current SXL unitholders following the consummation of the merger. ETP GP will execute a joinder agreement agreeing to be bound by the SXL partnership agreement, which will provide for the admission of ETP GP as the general partner of SXL at the effective time of the GP merger. Unless the context otherwise requires, the description of the rights of SXL unitholders appearing in this section describe the rights provided for in the SXL partnership agreement.

There are many differences between the rights of ETP unitholders and the rights of SXL unitholders. Some of these, such as distribution and voting rights, are significant. The following description summarizes the material differences that may affect the rights of ETP unitholders and SXL unitholders but does not purport to be a complete statement of all those differences, or a complete description of the specific provisions referred to in this summary. The identification of specific differences is not intended to indicate that other equally significant or more significant differences do not exist. ETP unitholders should read carefully the relevant provisions of the SXL partnership agreement and the ETP partnership agreement. A form of the SXL partnership agreement is attached to this proxy statement/prospectus as Annex C. Copies of the other documents referred to in this summary may be obtained as described under Where You Can Find More Information.

Purpose

ETP	SXL
ETP s stated purpose is to serve as a limited partner of Heritage ETC, L.P. a Delaware limited partnership, and any successors thereto (the ETP Operating Partnership), to engage in any business activities that the ETP Operating Partnership is permitted to engage in and to engage in any business activities that are approved by its general partner.	SXL s stated purpose is to serve as a limited partner of Sunoco Logistics Partners Operations L.P., a Delaware limited partnership, and any successors thereto (the SXL Operating Partnership), to engage in any business activities that the SXL Operating Partnership or its subsidiaries are permitted to engage in and to engage in any business activities that are approved by its general partner.

Outstanding Units

ETP	SXL
As of December 15, 2016, ETP had outstanding (a) approximately 545,097,469 common units, (b) 1,912,569 Series A units, (c) 8,853,832 Class E units, (d) 90,706,500 Class G units, (e) 81,001,069 Class H units, (f) 100 Class I units, (g) 90 Class J units and (h) 3,849,501 ETP restricted	As of December 15, 2016, SXL had outstanding (a) 322,376,189 common units, (b) 9,416,196 Class B units representing limited partner interests in SXL (Class B units), and (c) 3,238,885 common units subject to outstanding unvested awards under employee

units granted under the ETP equity plans. It is anticipated that ETP will authorize and issue a new class of limited partner interest designated as Class K Units prior to the closing of the merger pursuant to Amendment No. 15 to the ETP partnership agreement (Amendment No. 15), a form

and director equity plans of SXL.

Pursuant to the terms of the merger agreement, the Class B units, which are owned indirectly by ETP, will automatically be cancelled for no consideration. Additionally, pursuant to the terms of the merger

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ETP	SXL
of which is attached as Exhibit B to the merger agreement, which is attached to this proxy statement/prospectus as Annex A.	agreement, the SXL partnership agreement will provide for the establishment of the SXL preferred units, Class E units, Class G units, Class I units, Class J units and Class K units, each a class of units representing limited partner interests in SXL, in such number and with the same rights, preferences, privileges, duties and obligations as the Series A units, Class E units, Class G units, Class I units, Class J units and Class K units of ETP, respectively.
The Series A units are convertible by the holders at any time into a number of ETP common units at the then-applicable conversion price set forth in the ETP partnership agreement. As of December 15, 2016, the Series A units are convertible into a number of ETP common units equal to 864,912.	
The Class E units, Class G units, Class H units, Class I units and Class J units are not convertible into ETP common units and do not have any other redemption or conversion rights. It is anticipated that the Class K units will not be convertible into ETP common units or have other redemption or conversion rights.	

Issuance of Additional Securities

ETP	SXL
The ETP partnership agreement authorizes ETP to issue an unlimited number of additional limited partner interests and other equity securities for the consideration and on the terms and conditions established by the general partner in its sole discretion without the approval of the ETP unitholders (subject to certain approval rights of the holders of the Series A units). Any such additional partnership securities may be senior to the common units.	The SXL partnership agreement authorizes SXL to issue an unlimited number of additional limited partner interests, other equity securities, options, rights, warrants and appreciation rights for the consideration and on the terms and conditions established by the general partner without the approval of the SXL common unitholders (subject to certain approval rights of the holders of the SXL preferred units). Any such additional partnership securities may be senior to the SXL common units.
It is possible that ETP will fund acquisitions through the issuance of additional common units or other equity securities. Holders of any additional common units issued by ETP will be entitled to share equally with the then-existing holders of common units in distributions of available cash. In addition, the issuance of additional partnership interests may dilute the value of the interests of the then-existing holders of common units in ETP s net assets.	It is possible that SXL will fund acquisitions through the issuance of additional common units or other equity securities. Holders of any additional common units issued by SXL will be entitled to share equally with the then-existing holders of common units in distributions of available cash. In addition, the issuance of additional partnership interests may dilute the value of the interests of the then-existing holders of common units in SXL s net assets.

In accordance with Delaware law and the provisions of the ETP partnership agreement, ETP may also issue additional partnership securities that, in the sole discretion of the general partner, have special voting rights to which the common units are not entitled.	In accordance with Delaware law and the provisions of the SXL partnership agreement, the general partner may also issue additional partnership securities that have special voting rights to which the common units are not entitled.
The ETP partnership agreement also restricts ETP s ability to issue any securities senior to or on parity with the Series A units with respect to distributions on such securities and distributions upon liquidation, except that ETP may issue parity securities up to an amount equal	The SXL partnership agreement will restrict SXL s ability to issue any securities senior to or on parity with the Series A units with respect to distributions on

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ETP	SXL
to 10% (at face value) of the lowest market value of the common units as measured over the trailing 30 day period prior to issuance.	such securities and distributions upon liquidation, except that SXL may issue parity securities up to an amount equal to 10% (at face value) of the lowest market value of the common units as measured over the trailing 30 day period prior to issuance.
The ETP partnership agreement also restricts ETP s ability to issue any securities with distribution rights prior to liquidation that are senior to or on a parity with either of the Class H units or Class I units or that have allocation rights that are senior to or on a parity with the allocations with respect to Net Termination Gains (as defined in the ETP partnership agreement) applicable to the Class H units. If the merger is completed, each outstanding Class H unit will be cancelled for no consideration.	

Distributions of Available Cash

ETP	SXL
General. Within 45 days after the end of each quarter, ETP will distribute all available cash to its partners as of the applicable record date.	*General*. Within 45 days after the end of each quarter, SXL will distribute all available cash to partners of record on the applicable record date.
Definition of Available Cash. Available cash is defined in the ETP partnership agreement and generally means, for any calendar quarter, all cash on hand at the end of such quarter:	*Definition of Available Cash*. Available cash is defined in the SXL partnership agreement and generally means, for any calendar quarter, all cash on hand at the end of such quarter:
less the amount of cash reserves that the general partner in its reasonable discretion determines is necessary or appropriate to:	less the amount of cash reserves that the general partner in good faith determines is necessary or appropriate to:
provide for the proper conduct of ETP s business (including reserves for future capital expenditures);	provide for the proper conduct of SXL s business (including reserves for future capital expenditures and for anticipated future credit needs of SXL);
comply with applicable law, any of ETP s debt instruments or other agreements; or	comply with applicable law, any of SXL s debt instruments or other agreements; or

provide funds for distributions to unitholders and the general partner for any one or more of the next four quarters;

plus all cash on hand immediately prior to the date of the distribution of available cash for the quarter.

ETP will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed equals operating surplus since the date of ETP s initial public offering through the close of the immediately preceding quarter. ETP will treat any amounts distributed in excess of operating surplus as capital surplus.

provide funds for distributions to unitholders and the general partner for any one or more of the next four quarters;

plus all cash on hand on the date of determination of available cash for the quarter.

SXL will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed equals the operating surplus since the date of SXL s initial public offering through the close of the immediately preceding quarter. SXL will treat any amounts distributed in excess of operating surplus as capital surplus.

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ETP	SXL
Definition of Operating Surplus. Operating surplus for any period generally means the sum of:	*Definition of Operating Surplus*. Operating surplus for any period generally means:
$10.0 million (as described below) plus all cash and cash equivalents of ETP on hand as of the close of business on the closing date of its initial public offering; plus	$15.0 million (as described below) plus all cash and cash equivalents of SXL on hand as of the close of business on the closing date of its initial public offering; plus
all its cash receipts for the period beginning on the closing date of its initial public offering and ending with the last day of such period, other than cash receipts from interim capital transactions; plus	all of its cash receipts for the period beginning on the closing date of its initial public offering and ending with the last day of such period, other than cash receipts from interim capital transactions; plus
all cash receipts of ETP after the end of such period but on or before the date of determination of operating surplus with respect to such period resulting from borrowings for working capital purposes, plus	all cash receipts of SXL after the end of such period but on or before the date of determination of operating surplus with respect to such period resulting from borrowings for working capital purposes, plus
an amount equal to the operating surplus of Regency Energy Partners LP immediately prior to ETP s acquisition of Regency Energy Partners LP, less the sum of	an amount equal to the accumulated and undistributed operating surplus of ETP immediately prior to the closing of the merger (including $10.0 million of cash received from non-operating sources that ETP may distribute as operating surplus under the ETP partnership agreement), less the sum of
operating expenditures; plus	operating expenditures; plus
the amount of cash reserves established by its general partner to provide funds for future operating expenditures, provided, however, that disbursements made or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of available cash with respect to such period will be deemed to have been made, established, increased or reduced for purposes of determining operating surplus, within such period if the general partner so determines.	the amount of cash reserves established by its general partner to provide funds for future operating expenditures, provided, however, that disbursements made or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of available cash with respect to such period will be deemed to have been made, established, increased or reduced for purposes of determining

Operating surplus includes a provision that will enable ETP, if it chooses, to distribute as operating surplus up to $10.0 million of cash it receives from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus.

operating surplus, within such period if the general partner so determines.

Operating surplus includes a provision that will enable SXL, if it chooses, to distribute as operating surplus up to $25.0 million of cash it receives from non-operating sources, such as asset sales, issuances of securities and long-term borrowings, that would otherwise be distributed as capital surplus.

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ETP	SXL
Definition of Capital Surplus. Capital surplus will generally be generated only by:	*Definition of Capital Surplus*. Capital surplus will generally be generated only by:
borrowings other than working capital borrowings;	borrowings other than working capital borrowings;
sales of debt and equity securities; and	sales of debt and equity securities; and
sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or as part of normal retirements or replacements of assets.	sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or as part of normal retirements or replacements of assets.
Distributions of Available Cash from Operating Surplus to Common Unitholders, Class E Unitholders and Class G Unitholders.	*Distributions of Available Cash from Operating Surplus.*
Subject to the distributions to be made to Series A preferred unitholders, Class H unitholders, Class I unitholders and Class K unitholders as described below, ETP is required to make distributions of any remaining available cash from operating surplus for any quarter in the following manner:	SXL is currently required to make distributions of available cash from operating surplus for any quarter in the following manner:
first, 100% to all common unitholders, Class E unitholders, Class G unitholders and the general partner, in accordance with their percentage interests, until each common unit has received $0.25 per unit for such quarter, also known as the minimum quarterly distribution;	first, 100% to all common unitholders and the general partner, in accordance with their percentage interests, until each common unit has received $0.075 per common unit for such quarter, also known as the minimum quarterly distribution;
second, 100% to all common unitholders, Class E unitholders, Class G unitholders and the general partner, in accordance with their respective percentage interests, until each common unit has received $0.275 per unit for such quarter, also known as the first target distribution; and	second, 100% to all common unitholders and the general partner, in accordance with their respective percentage interests, until each common unit has received $0.0833 per common unit for such quarter, also known as the first target distribution; and

thereafter, in the manner described in Incentive Distribution Rights below.

thereafter, in the manner described in Incentive Distribution Rights below.

Limitations on Distributions to Class E Unitholders and Class G Unitholders.

For each taxable year, no portion of any partnership cash distribution attributable to (i) any distribution or dividend received by ETP from ETP Holdco Corporation (Holdco) or the proceeds of any sale of the capital stock of Holdco or (ii) any interest payments received by ETP with respect to indebtedness of ETP or its subsidiaries (referred to as Holdco Distributions) will be distributed to the Class E units or Class G units.

The SXL partnership agreement will provide that the SXL Class E units and SXL Class G units participate in the distributions of available cash and receive their respective percentage interests. Notwithstanding the foregoing, the distributions on each SXL Class E unit may not exceed $1.41 per year and distributions on each SXL Class G unit may not exceed $3.75 per year. In addition, the distributions to the holders of the incentive distribution rights will not exceed the amount holders of the incentive distribution rights would otherwise receive if the available cash for distribution were reduced to the extent it constitutes amounts previously distributed with respect to the SXL Class G units.

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ETP	SXL
The aggregate partnership distributions made to each Class E unit in respect of each fiscal year may not exceed $1.41.	
The aggregate partnership distributions made to each Class G unit for each taxable year will not exceed $3.75. &nbs	